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Cross-border shopping

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Le jeudi 2 mai 1991

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Clerk: Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 2 May 1991

The committee met at 1030 in committee room 1.

CROSS-BORDER SHOPPING

The Chair: We have a quorum and I would like to begin the morning's discussions by recapping the cross-border shopping hearings that we have had to date. Perhaps Anne could take us through some of the information.

Ms Anderson: Thank you. I would just like to point out at the beginning a memo that I included with today's package, giving some information about the autopass that was announced yesterday by the United States. It is a program that is going to help people go from the Niagara region into the US much more quickly. They preregister, effectively, and then they have a decal on their car and can get waved through. So there is additional information on that.

I also had sent around last week, I think, the report on the retail council meeting, which hopefully you have got. It includes a copy of a study that was done for Industry, Trade and Technology on the pricing system within distribution systems for three particular products. It got some press, which you may have read as well. I just wanted to point out that those were there.

I have briefly put together a summary of the recommendations and the concerns that people have had. I think maybe the easiest thing to do would be just to go over that as a way of reviewing what you have heard to date.

A number of people have made estimates of how big the problem was and how many people were involved and what sort of size. I think they are all estimates at this point. I am on page 2 if you want to look at the summary. The estimate that comes up most frequently is \$1 billion in retail sales over 1991, and that one has been referred to by John Winter and the Retail Council of Canada. But I believe they are all still very much estimates based on surveys that then get extrapolated out to larger regions in various ways. I am not sure there is a lot of hard information about how much is involved, whether it is the number of people or the number of sales or the amount of revenue that has been lost by the province.

Everybody had ideas of what causes cross-border shopping. Some specific things that were listed were the lower prices in the US, the free trade agreement, value of the dollar, the recession and the economic uncertainty, reduced enforcement, non-collection of the provincial sales tax, high Canadian taxes and the regulatory burden, gasoline prices, marketing practices of the US retailers, word of mouth and media attention, GST, Sunday shopping, the US discount malls and new attractions in the US border. Those are sort of specific causes that were looked at.

A lot of people, too, talked about the competitive situation in general and how cross-border shopping was really just a symptom of bigger structural difficulties: that it was just the tip of the iceberg, both in terms of the impact on

the border communities, its spread throughout Ontario and the impact on the retail sector, and in terms of how it was spreading backwards down the chain to manufacturing and to food processing and agriculture as well. So the problem is sort of diffusing through to a much wider extent.

A number of the issues that were talked about were federal as well as provincial. The biggest thing people talked about were the price differentials, and various reasons were offered for that. One was the smaller Canadian market, which precluded economies of scale, and the other geographic factors like the wide dispersal of a small population, the northern climate, which restricts the growing season compared with southern parts of the US and the role of government in food retailing—this was particularly from the Canadian Council of Grocery Distributors. A number of people talked about gas as being one of the drawing cards for people who live near the border. There was some evidence presented that one of the biggest discrepancies in gas prices between Canada and the US was the level of taxation, both federal and provincial.

The price of groceries was also another factor, particularly for dairy products, which again is attributed to marketing boards and the different price support systems between Canada and the US. Other reasons were the larger purchasing power of American retailers and wholesalers, so that they can buy at a lower unit cost, and Niagara as one of the dumping zones of the US for seconds and end-of-lines. Residential occupancy costs were a factor, in terms of the rent or leasing costs that applied to Canada and the US. One of the issues there was the availability of commercial space. There is far more commercial space available in the US, so the rent is lower than it is here.

Municipal taxes are higher in Ontario, according to John Winter and also the Canadian Federation of Independent Business. Labour rates are sometimes higher. One item, too, that John Winter stressed was that the cost of a product to retailers in Canada was often higher than the final retail price of retailers in the US. I think a number of people were quite concerned about the distribution structure and the differences between the two countries and how the costs got built in all the way along the manufacturing-distribution chain.

Some solutions suggested by Mr Winter for retailing were to develop price clubs in Ontario to help compete with the cheaper prices and also, in northern Ontario, to source out of neighbouring states rather than from Toronto.

Some witnesses talked about the free trade agreement as being one factor that increased the extent of cross-border shopping. I think generally it was felt that it was a perception of lower prices that the free trade agreement would bring rather than a reality, and that, when they found they did not immediately get lower prices, people were going across

the border to find them there. The retail council's brief has nothing much to do with the cross-border shopping issue.

The exchange rate was another area that was mentioned several times. The exchange rate had gone up since 1987, roughly in the same way that the increase in cross-border shopping has gone up. However, the value of the dollar was as high as it is today in the 1980s and did not appear to make much difference at that point in the level of shopping. I think other witnesses felt it would require a very large change in the value of the dollar to make much effect on the enormous price differentials. If you have got a 50% price differential, then changing the value of the dollar will be only a small part of that.

On supply management, various studies have been carried out by Agriculture Canada which looked at the price of milk and cheese in New Brunswick and British Columbia. They were doing a similar study for Ontario. They found that the prices were considerably cheaper in neighbouring US states. In New Brunswick they found it was between 40% and 70% cheaper in the US and in British Columbia, between 36% and 60% cheaper in the US.

One of the documents that was at the meeting that the retail council put on last week and which I have enclosed today was a study that Agriculture Canada had done on comparative grocery prices. They took seven pairs of cities across Canada and compared 113 items in each of those pairs of cities and in comparable stores and found that, on average, grocery prices were 10% lower in the US, although certain items in Canada were the same or cheaper. Those were things like beef, pasta, sugar, pork and some items like that. The ones that were cheaper in the States were dairy products, very largely. I forget the others offhand.

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The United Food and Commercial Workers, UFCW, also pointed out the way the American support system works for farmers. The way they get subsidies does not affect the shelf price in the same way that marketing boards affect it here. A big issue with many witnesses, too, was border controls. Many people felt controls at the border were not enforced efficiently because of the number of people and the long lineups. Even the rules that there were were not being enforced, so people were getting waved through without paying duties or GST or PST at the border.

There were some recommendations to try to counter that. One was to charge a levy on shoppers crossing the border. Another was for Revenue Canada to hire additional people to help deal with that in the way one might do it in a supermarket: you need more checkout counters. At the meeting last week, Revenue Canada indicated that they were unlikely to hire any additional people, given the current hiring climate in Ottawa.

The view of enforcement was countered somewhat by people who wanted to ensure that whatever regulations were put in place at the border did not deter US tourists from coming into Canada as well. There was a note of caution that that might not help. There was also mixed reaction from the retailers about the federal experimental fast lane, the PACE lane, which has happened in British Columbia and which is going to allow Canadians who have pre-registered to come back across the border more

quickly by filling in a computer form by which any duty applied would be charged to their credit card. Retailers on the whole seemed to feel that would encourage smuggling and encourage cross-border shopping rather than helping enforce it.

One of the differences in the prices is a result of the non-collection of the provincial sales tax. Again, it is a small amount but there were a lot of witnesses who very strongly urged that provincial sales tax be collected. At the moment it is voluntary, but there should be some way of collecting it.

A number of suggestions were made. One was that the provincial sales tax be harmonized with the GST. The federal government will not, I understand, consider collecting the PST for the provinces at least until there is harmonization because of the different tax bases. However, I was talking with them and I understand that of the two provinces that have harmonized at the moment, Saskatchewan has asked for a collection but no decision has been made at the moment as to whether or not the federal government will collect and Quebec is still considering whether to ask for collection. Another suggestion was that perhaps the federal government could be asked to add a line on the duty form and the federal government would then forward the forms to the province which would then bill the residents for that amount.

Mr Stockwell: Did the federal government not say to us to comply before they would collect? All provinces would have to comply before they collected? Or they would look at singular applications?

Ms Anderson: I have heard that informally. When I spoke to the person in the federal government, in the memorandum of understanding that goes with the harmonization of the GST there is a phrase that says they will then agree to discuss collection. But it does not speak to it specifically. So Saskatchewan has discussed and requested. Quebec has not.

Gasoline pricing. As I mentioned, gas is one item that many people feel is the drawing card for those who live near the border in particular. There is a certain amount of evidence given on the different pricing structures of gasoline on either side of the border, where it appears that gas in the US is around half the price of gas in Canada, and a lot of that is due to the different federal and provincial sales taxes that are added on.

The Ontario Border Communities Task Force had requested, as it did during the pre-budget consultations, that a zoning formula be implemented so that the taxes were lower nearer the border and increasing as you get further away from the border, similar to the Quebec system. The Ministry of Revenue here has indicated that the Quebec system was moderately successful in the short term but not so successful in the longer run because of marketing practices, which adjusted to that, and because there was a lot of evasion involved in monitoring and administering the different tax zones. It was expensive and complex.

John Winter also suggested that perhaps there could be a test market for a gas station on the Canadian side of the border that could sell gas at a similar rate as it was being sold in the US.

An issue that was brought up a number of times was Sunday shopping. There were a variety of opinions on that. Some people felt it had nothing to do with cross-border shopping; other people felt it was a factor but a small factor. Sault Ste Marie, for instance, has had Sunday shopping for a while and felt it would exacerbate the present situation if it no longer had Sunday shopping. But on the whole, it was not one of the issues that people raised.

A number of witnesses really focused more on the larger, competitive situation rather than on the smaller, more specific causes and the individual causes. It seems to be related very much to a larger problem of competitiveness and the whole structure of the Ontario and Canadian economies compared to the US. There were suggestions at the Premier's council mandate should be expanded to address this somewhat. Also, there were suggestions that there should be studies or task forces between the various levels of government, including labour and business as well, because it was an issue that covered a wide range of sectors and all levels of government and it needed to have everybody working together in order to address that issue rather than people doing it individually.

In particular, the pricing system seemed to be one area that people felt needed more study to understand the differences in the pricing systems between Ontario and Canada and the US.

Ms Harrington: Was there a definite suggestion of what you were saying, about who should establish this committee? Did you say the retail council?

Ms Anderson: No, there was not a definite suggestion about who should do it. I think one of the difficulties has been that a lot of people have been establishing their own committees or their own task forces and doing their own studies, and there has not been much in the way of a co-ordinated way. There were suggestions that there should be one. The retail council has taken some initiative in organizing the meetings that we did last fall and this follow-up one, which included government and industry and the others.

Ms Harrington: Can you tell me specifically what recommendation came out of that meeting on the 22nd with regard to committees?

Ms Anderson: That was one of the studies that came. They wanted to continue this, but there was no funding to continue this study on the pricing and distribution systems. There were a couple of motions that came up. Can I just get back to that in a moment?

Ms Harrington: Okay.

Ms Anderson: I think that particular organization felt they wanted to continue. They did not really have a name. They wanted to form themselves into a sort of coalition but there was no real resolution, I think, of how they would go about it. There are various subcommittees, and subcommittees were going to continue to meet, but there was not a sort of formalized structure.

Ms Harrington: Are they ongoing or are they not?

Ms Anderson: They did not set another date, as I recall.

Ms Harrington: But the subcommittees are continuing?

Ms Anderson: I think the subcommittees are continuing. At least one of them is. We should be getting some information from them, some minutes of that meeting as they get produced. I will circulate those as soon as they come.

Other recommendations concerning general competitiveness were that new legislation should be examined for its competitive effect, from the Canadian Council of Grocery Distributors. The CFIB, the Canadian Federation of Independent Business, presented some research on the taxes borne by different retailers in Toronto-Buffalo and Thunder Bay-Duluth, which found that the tax burden, particularly between Toronto and Buffalo, was greater on retailers in Toronto and that the largest different component was municipal taxes. They did mention that for small businesses, payroll taxes are also a considerable burden because they are independent of profit.

1050

Ms Harrington: Would you say that municipal taxes in Canada generally are very high compared with American municipal taxes? Is that the bottom line there?

The Chair: According to the report, it is about four to five times higher in municipal taxes.

Ms Harrington: You say that would be between Buffalo and Toronto?

Ms Anderson: I would think it would vary from municipality to municipality.

The Chair: In the International Falls and Fort Frances areas, according to the report, it is about the same. I will see if I can find it.

Mr Hansen: But you have the point that the services are different between the two towns that are compared. One has a volunteer fire department and the other one has a regular fire department. It is not apples with apples; it is apples with oranges. So it is not a true comparison.

Mr Stockwell: When you pay your tax bills, it is apples to apples.

Mr Hansen: But when somebody is knocking at your door and he is ready to rob you, it is a little bit different.

The Chair: But the bottom line is that when we are discussing cross-border shopping in terms of prices, all of what you say is true. We have a better police force. We have a better fire department. We have better health care. We have all of these things that are better. That is a reality, but also the reality is that the prices are lower across the border and somehow we have to deal with that and in a concrete way that will keep people here.

Mr Hansen: I just want to get that point across that you have to sit on your wallet.

Ms Anderson: When the mayors came before the committee, one of their recommendations was that the blue ribbon task force should be put together with ministers from federal, provincial and municipal governments as well as national presidents of business, industry and labour groups. That is sort of an example of one of the recommendations of these joint groups.

The CFIB was concerned that the cost of business not be increased any further, as certainly was the chamber of commerce. The Canadian shoe retailers also were a group

that suggested a committee of provincial and federal ministers to look at the whole issue and co-ordinate planning that will help competitiveness.

A number of people felt that some more information was needed, really, that there was not sufficient. John Winter suggested looking at why suppliers are charging Ontario retailers more than US retailers, and also to include shoppers who go across interprovincial borders as well as the international border and to examine the issue of bilingual labelling outside Quebec. The Ontario Border Communities Task Force also felt that it would be useful to gather more information on the different product categories and the cost structures that are involved, and looking at why people go over to shop in the US; there is more background information needed on that. It was suggested that the province could help continue the funding of the Industry, Science and Technology study that was looking at pricing and distribution.

A recommendation that came from a number of people was an education or awareness campaign of what the impact was on their communities in Ontario of shopping across the border, combined with a marketing campaign for the local retailers and the local communities. The CFIB points out that such a strategy is only useful when the prices are fairly comparable, but while the price differences are still very great, then marketing or an awareness campaign may have only a small effect. The UFCW, however, felt that it would be a very useful and positive thing to do.

Many of the causes seem to relate to the federal government, and I just will list those briefly. Actions that people wanted the federal government to take would be to reduce interest rates, reduce the value of the dollar, eliminate the GST, develop policies that promote fair taxation for Canadian workers and policies that promote full employment and the development of the economic potential of all Canada's regions, as well as the reduction of tariffs for third-country imports to a level that was similar to the American level. One of the factors in the different pricing appeared to be that for many products the Canadian tariff for goods from third countries was often almost double the level of the American tariff from third countries.

That sort of rounds up the suggestions that were made by the witnesses who came in front of the committee. I do not know whether you feel there are other witnesses you would like to hear from at this point or whether you want to go into sort of a discussion of what else you might need or what the next step is.

Ms M. Ward: Have there been any studies done by consumers' groups or any input from them at all, like the consumers' association, or whatever their proper name is?

Clerk of the Committee: I contacted the Consumers' Association of Canada, Ontario division. They were unwilling to come before the committee because they had not at this point formulated a policy or any sort of response to the issue of cross-border shopping. A representative of the consumers' association was at the Niagara Falls conference that Anne and I attended and basically reiterated that position at the conference, that they had not come to any sort of policy or response position on the issue.

Ms Anderson: We had Mark Adler here, who was one advocate for the consumers.

Ms Harrington: You were talking about the gas tax zones as not being workable. Did you mean strictly in an administrative sense, or were there other reasons that you said it was not workable?

Ms Anderson: They are difficult administratively to work. The Ministry of Revenue in Ontario had indicated that they seemed to have some impact in the first couple of years they were in place, but after that the marketing practices of the private sector made some adjustments to the different pricings so there was less of a difference. That is my understanding.

Ms Harrington: I do not quite understand. People were saying it did not have any effect, so that means people would still go across the border, for example?

Ms Anderson: I had a look at the legislation for the Quebec border zones, and in fact there are reduced rates for three different kinds of areas in Quebec. One is for areas that are within about 20 kilometres of the Ontario border and the New Brunswick border, one is the area that is along the border with the US and one is all northern Quebec. So effectively you get left really with the axis that is between Montreal and Quebec City that is at the high rate and almost everyone else is at the low rate.

1100

Ms Harrington: So there are two rates. Is that all?

Ms Anderson: No, there are about five rates.

Ms Harrington: What kind of price differentials are there? Is it a cent a litre?

Ms Anderson: Something like that, yes, it is a couple of cents.

Ms Harrington: But my real question was why, after a couple of years, would people ignore that price differential and go across the border?

Ms Anderson: The price differential in Ontario is anywhere between, say, around 20 cents a litre, which is the government tax—around that; I think it varies somewhat. If you reduce that by five cents a litre, it is still not enough to give you a very big saving.

Ms Harrington: You are saying in the first year or so people thought, "Okay, we'll try this," staying at home, and after that they thought, "Well, this is really not—"

Ms Anderson: It slowed down the reduction in the—

Ms Harrington: In the cross-border trade. But it went back up to previous levels is what you are saying?

Ms Anderson: I do not think they measured cross-border trade so much as the level of sales in the gas stations in those various zones. I have not got any very great details on it. I can get them for you from the Ministry of Revenue here. They are the people who have done that kind of analysis and looked at it.

Ms Harrington: It would be helpful to say that it did not work or does not work.

Ms Anderson: I will see if I can get some more information on that.

Ms Harrington: To see why.

Mr B. Ward: Just to follow up on what Margaret was saying, part of the information inferred that the marketing practices of the private sector in the oil industry led to a modifying of prices in the province of Quebec. If the oil companies lower their retail price across the province, or once it is whatever the market will bear, did the prices slowly come up even though the tax was reduced? Could we know that?

Ms Anderson: I do not have enough specific information on that, but the implication I got from them was that there are levelling. Whether it was coming down or going up I do not know. But one of the oil companies that had stations on both sides of whatever these zones are may choose to—

Mr B. Ward: Yes, what do you know? Did they raise the prices or lower them, on which side of the road?

Ms Anderson: I will see if I can find that out.

Mr B. Ward: If you can find out as part of Margaret's inquiry, I think that information would be appreciated.

Mr Sutherland: Mr Chair, I am not sure how we were planning to proceed at this point, whether we were planning on doing the report at this time. If so, I was just wondering whether you wanted some suggestions as to maybe how we could develop the report. Would we follow a similar format in terms of how we did the pre-budget one where we would ask the research staff to kind of maybe elaborate on what is here under the different headings and then come back and then we would sit as the committee in terms of developing the recommendations, maybe based around those headings or based around the recommendations we wanted to pursue and thought would have some input? I would think we may want to do that. I think we all realize there are many people out there in the different communities, particularly the border communities, waiting to see what we are going to recommend and whether we have been able to put our collective wisdom together to find the solutions or just even start making a little dent in the problem.

Mr Kwinter: On behalf of my colleagues, what we would like to recommend is that we wait to listen to the Treasurer this afternoon to hear what he has to say. We can question him about whether he is going to be doing anything about some of the concerns that have been raised or some of the things that we want to do, and then we would like to be able to have some time among ourselves to work on some recommendations and come back next time so that we know what recommendations we want to make. But I think that until we hear from the Treasurer it would be premature to start making recommendations, because we do not know what kind of leeway we have.

The Chair: I think we have a problem with this afternoon. We may not be able to hear the Treasurer this afternoon. It is entirely up to the Conservative caucus.

Mr Kwinter: If we do not hear from the Treasurer this afternoon, will we hear from him ever?

The Chair: I am open to input, but I have a feeling from what I am hearing that we would like to hear from the Treasurer and perhaps, if he cannot come this afternoon, extend an invitation for Thursday morning next.

Mr Stockwell: If our party is introducing motions, I will give the Treasurer the undertaking that those motions will be continuing and it would allow him the opportunity to come down here and address the committee.

The Chair: He cannot.

Mr Stockwell: He cannot? Okay. Then I go along with the request to invite him for Thursday morning.

I would like to ask staff in the meantime if they could look at one item that I find very interesting. With the cross-border shopping issue, some retailers and manufacturers were talking about the interest rates and the dollar. I have concern with the province heading out looking for 10 billion new dollars in the marketplace right now. It would appear to be some portion of that \$10 billion will have to come from offshore somewhere, probably Tokyo, Frankfurt, New York maybe.

My concern is, if we are going to raise that money, along with the federal government out raising equally large sums of money, we know full well that if they are looking to borrow those it is going to drive up the interest rates to attract people to buy the dollar, which obviously will drive up the dollar. Is there any way you can measure how much of an effect this \$10 billion will have on at least the Canadian interest rate or the Canadian dollar itself? I have heard a lot of talk in the past from the party in power about that being one of the two main reasons for concern in the business sector. It appears that they are in fact exacerbating the problems by looking for \$10 billion in the bond markets and I would like to see if we could quantify that at all.

The Chair: Perhaps the way to do that would be to look at the international borrowing rates that are set in the international market as opposed to the cost of borrowing set by the central bank, and also the central bank Treasury bills that are being sold right now would give an indication of what kind of—

Mr Stockwell: Yes, that is probably true, except now you are going to go out with this \$10 billion more. You are going to be have even be more attractive, I would think.

The Chair: That would depend on how it is brokered.

Mr Stockwell: Why do we not let the staff look it up?

Mr Sutherland: Mr Stockwell, I do not necessarily agree that the budget is going to exacerbate the situation. There is a difference of opinion out there.

Mr Stockwell: I am just asking the staff to look it up, that is all. Whether you agree or not is academic.

Mr Sutherland: Okay, but there are different commentators there.

I am just wondering, in terms of what Mr Kwinter was saying, and maybe I was wrong, I thought the Treasurer was not coming in specifically to talk about the issue of cross-border shopping, I thought he was talking about the budget in whole. Certainly there are issues related to that, but I would still think we would be able to have the research staff do a more extensive summary of the information, the options, that type of thing, in terms of a report, as we did with the pre-budget report. Possibly that could be ready for next week.

I think the review here of some of the information, particularly some of the statistical information, how the problems increased, the extent of that problem, what the impact is in different areas, provincial revenues, municipalities, that sort of thing—then maybe under the summary there could be four or five other issues, for example, an issue under the border crossing in terms of duties, provincial sales tax, collection of taxes, maybe another heading in terms of retailing/marketing issues, another one under wholesaling/distribution, sourcing issues, possibly one under the whole question of taxation, municipal-provincial-federal, and related to that services in terms of comparison between us and there, then maybe some aspect of the issue of education in terms of education of the public in what they are getting. Then maybe if that could come back that may help us focus our recommendations afterwards on what we want to do. I do not think there is a problem in waiting to do the recommendations until we have an opportunity for the Treasurer to be here, but I think that type of summary or written report would help focus us a great deal.

1110

Mr Kwinter: I have no problem with that at all. The concern I have about the Treasurer—it was my impression that he was here for a twofold reason. As the standing committee on finance and economic affairs of the Legislature, we want to talk to him about his budget. On the other hand, I think there is a practical political problem. The practical political problem is—and we certainly spent enough time talking about it—let us say that a recommendation comes out of this committee that we institute some sort of zone gasoline tax rate. If, in our meeting with the Treasurer, he says, “I’ve already ruled that out; we are not going to do that,” you may want to think about whether or not a committee dominated by the government party is going to be making a recommendation that is absolutely contrary to what the Treasurer has already said he is going to do.

I am just saying that there is a simple, practical problem that has to be addressed. That is why I thought it would be useful if we had the Treasurer in here so we could take a look at whether he is going to push to have the provincial sales tax imposed at the border. If he says, “No, I’m not going to do that,” then you have a problem if you are going to make that kind of recommendation. I just feel it is something we should talk about so that at least we do not get into a position where we are working at cross purposes.

Mr Sutherland: I do not think that is a problem in terms of waiting until the Treasurer is there to do the recommendations.

Mr Kwinter: No problem.

Mr Sutherland: I think this type of summary would be good. It would help focus us a bit on the budget issue; it would definitely help focus us on this issue.

Mr B. Ward: Following up on what Kimble suggested about the broad issues to get some more information, I think that is a very practical idea and should be supported by this committee.

I would just like to focus on the tax issue. Kimble mentioned the Canadian tax system, the municipal, provincial and federal tax levels and who pays what and what

systems we have. I am still not comfortable with the amount of information we have on the American system. I was just wondering if it is possible for research to examine the American side, the municipal, state and federal systems as they relate to the cross-border shopping issue; what type of tax systems they have. I know they have a municipal bond, but I do not know how that differs from our municipal debenture.

If that is possible, and I do not know how much workload that will involve, I would appreciate more information before any recommendations are flowed through this committee, as well as—and it has been touched on by a couple of organizations—the American subsidy to the agricultural sector; if we could get a handle, if that is possible, on how much we will be talking financially and how they subsidize the agricultural sector, I think that would be appreciated.

The Chair: Do you want also a comparison of how that compares to the Canadian marketing board finances?

Mr B. Ward: Exactly. Primarily this gets more information on what is happening in the border states, the border municipalities, New York state, Michigan, possibly Connecticut and Massachusetts, although they are not in relation to border. It would still be worth while to see how economically viable they are as entities. I have referred to the transit shutdown in Buffalo and the layoff of police officers in Detroit, which suggest perhaps there is some financial difficulty with those border communities.

The Chair: But you also want the committee to see a breakdown of the grants, tax holidays and incentives that the local cities like Buffalo give to—

Mr B. Ward: That would all be part of the tax system. If they are allowed to defer property taxes, how do they raise revenue, and if they do not, what do they do? That would all be part of the information that I think should be looked at and collected by this committee.

Mr Hansen: There was one other item. I think Mr Kwinter brought it up earlier in some of the questions that came out. He wanted to know about coffee filters that sold in Scarborough, I believe it was \$1.29 in a grocery store, and yet four packages for \$1 in Buffalo. I think we should take a look at the marketing on a product that is made here in Ontario to find out why there is such a difference, because it is sold in the States at four for \$1 like that.

The Chair: Why would you pay \$150 for Michelin tires?

Mr Hansen: You are talking close to five times the amount on a product that is manufactured and distributed here in Canada and across the border. I agree with my friend Mr Ward on some of the incentives that could also be given to business in border communities. The other thing is that the closest state right now, taking a look at the Niagara area, is New York state, possibly Michigan, under upcoming state budgets that could possibly see an increase in some of the taxes on business, gasoline and so on, to know exactly the dates of their upcoming budgets which could have an influence. Maybe we are just one step ahead of them, maybe they will take the same type of approach that we have here in Ontario to take a look at the environment. I take it it is looked on as an environmental tax on

soline. We are not going to wind up just burning fuel and wasting it, but conserving it. Maybe we should take a look at the approach of some of the bordering states and when they have their budgets coming up also.

Ms M. Ward: A question for the clerk, because my memory is poor. I recall reading recently an article about New York state and the collection of sales tax on things imported into the country and from other states. Was that something in material submitted to us or was it something else? Do you know?

The Chair: It is this. John Winter sent it to us.

Ms M. Ward: Okay, thanks. I think I read something like somewhere too, but I did not know if we had that information or not.

The Chair: I can clarify. I asked the Ministry of Revenue about doing this and getting the bills of lading and so on from the federal government. So far the federal government has refused.

Ms M. Ward: Is this referenced at all in our summary report? Perhaps the idea should not be lost.

Mr Stockwell: Mr Chairman, I just feel like I am in an exercise in futility here. There are four or five things that we can do that I think would make a real impact on the issue. There is some concern with the federal government not pulling its weight. We could petition them to pull their weight or make some changes, but they come down to very fundamental issues. We either marry the GST and the PST, so we can collect at the border—that is an obvious commendation from this committee. The government says no, it is not going to do that.

Mr Hansen: Put your point forward.

Mr Stockwell: So we are going to close that one off.

Mr Hansen: No, wait a minute.

Mr Stockwell: Can I finish? You may have changed our minds, and if you have changed your minds, that is fine, but you have said no. So I can only assume when you say no, you mean no. We can have zones, gas zones, shopping zones. In the budget the Treasurer said no. So when he says no, I guess he means no. So I say, "Cross that one off."

We can have a reduction in the provincial sales tax. The government is very clear on that. They said they are not looking at reductions in the sales tax. I asked the question in the House, I mentioned his speech and the Treasurer responded and said, "No." I can only assume when he says no, he means no.

We then go to the reduction in taxes on gasoline, cigarettes and alcohol. He did more than say no on that one, he refused them. I can only assume he is not going to reduce those. So when he says, "No, I'm going to raise them," he is not going to lower them. So I can cross that one off.

We are left now with collection of the PST at the border by the provincial government as a separate entity, which is not viable because the federal government has said no. So we can cross that one off.

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So we have our five or six things that we can recommend and everybody has said no. Unless someone has a rainwave that absolutely no one else in this province has

thought of over the last three years, this is your definition of government: sitting around navel-gazing, because there is little if anything after the four, five or six major recommendations that can be done. I do not want to investigate all of these items, because the Treasurer has said: "Don't waste your time. I don't agree." So rather than investigating these five or six that he said no to, let's put some new ideas on the table. If there are not any new ideas, we make a report to the Treasurer saying, "If you've excluded the five or six areas where you can actually effect change, then you've basically excluded any options for cross-border towns to compete."

I do not want to waste more time talking about marrying the GST and PST, or about zones, I do not want to talk about reduction of the provincial sales tax, I do not want to talk about the hooks to get them back there, over and back, because all these things are not on the table. If someone has some other ideas, I would love to hear them, but if we are going to continue talking about these things they said no to, why are we wasting our time?

Mr Hansen: Regarding the point of the legislation or the bills that are presented in the House by the third party, are they correcting the cross-border shopping issue at this time? It looks like it is stalling the House, not doing anything for the benefit in Ontario.

Mr Stockwell: That may be a point. So what? What has that got to do with the price of eggs?

The Chair: I would like to respond, because I see the problem before us in two ways. We can make recommendations that may help in the immediate time frame and there may be recommendations that we can make over a long term. There are some serious questions on the table about retailing, about pricing, about why goods made in Canada, shipped to Toronto and shipped to Buffalo, wind up being half the price in Buffalo that they are in Toronto. I think some of these questions can be looked at with respect to the request by a couple of the groups that were asked for some long-term solutions.

As for what is on the table and what is off the table, obviously whatever the Treasurer, the government and the cabinet decide to do is on the table. My position here is to play the role of the impartial Chair and I would say we should discuss all of these issues and that these discussions should be made available to the Treasurer. If the Treasurer decides he is going to maintain or to make these actions, at least he will have before him the discussion of all of the members of this committee. However, if this committee, in its power, deems that we do not want to do that, then I am at the will of this committee.

Mr Kwinter: Can I make a radical suggestion? Who knows, you may go for it. Why do we not ignore the Treasurer and make our recommendations based on what we have heard and not on what we think the government is going to do?

Mr Stockwell: That is radical.

Ms Harrington: I think that is what this committee is supposed to do. We are all three parties and having listened to the so-called experts we have to use our own judgement and put forward whatever recommendations we think are

legitimate for the government to consider. If you think the Treasurer is not going to listen or whatever, then we as part of this committee may be able to talk to him. It is the mandate of this committee to be objective.

Mr B. Ward: In a non-partisan manner.

Mr Kwinter: It would be rather pleasant to see it.

Mr Sutherland: The only thing I was going to say, I was not as confident as Mr Stockwell that the Treasurer had ruled out all those options. Maybe a couple of them he put forward he has ruled out. The Treasurer may have indicated his personal opinion that he is not keen on some of the other ones as well. But the sense I have in terms of being there in question period is that he does not have a lot of answers. He is looking for some good, solid advice from this committee to be considered and taken into account. That is what we should be doing and we should be doing that with an open mind and looking at what we feel are the most viable options.

Ms Harrington: He does not have all the information we do.

Mr Hansen: My friend on the other side mentioned the reduction in fuel tax at border communities. We had Mr Brandt here talking on that issue, and I believe the Treasurer most likely read those Hansards. He was of a different opinion, that this does not work as well as it sounds it might work, and it has not worked as well in Quebec. So all these recommendations that have come in—I think it is unfair to say the Treasurer refused this or refused that in the budget. Possibly, asking him on a one-to-one basis on the concerns of the members of this committee, maybe we do not get an exact yes, no or anything else, maybe “I’ll take a look at it.” But I think it is unfair to pin him down on those five points, as it is now, as my friend from the third party said.

Mr Stockwell: I did not say he said it. I did not refute him. He refuted him. I did not say no. He said no. I am not making this up. He said it in Hansard. If you have some special information, share it.

Mr Hansen: We have all heard the same reports come through here and those were some of the recommendations. So I think he should have a chance to explain some of the recommendations that come through this committee today.

The Chair: This question raises two questions, one about the degree of independence of committees, and Mr Pond has submitted an analysis of some of the other finance committees in operation in other jurisdictions such as Ottawa, Great Britain, New Zealand and Australia; it is their opinion that the committees do have a degree of latitude to follow and to make recommendations that may or may not agree with what the government has done. We have examples in the past. The pre-budget consultation recommendations of the 1990-91 committee contained an awful lot of recommendations that were subsequently not followed through on by the previous government. So there are precedents set for committees to make recommendations in light of the best information that is available to them.

I guess the second question, then, is the degree to which we interpret the recommendation in the budget from

the Treasurer, of opening up the process of the finance and economic affairs committee and the degree to which that is taken. Sitting as the impartial Chair, that is a decision the government party is going to have to make.

Mr Sutherland: I think we have a consensus on how we proceed here, do we not, in terms of the research staff doing the summaries maybe on some of the topics, maybe on some of the information other members have added, and then we will wait until we can have the Treasurer before us before we sit down to do recommendations.

The Chair: Then we will take the instruction from the committee for the researchers to flesh out some of the areas of information that have been requested and that if the Treasurer cannot come this afternoon, if this committee is not sitting, we will request that he come for 10 o'clock next Thursday morning?

Mr Kwinter: Mr Chairman, can I get a clarification? Are you saying that if the Treasurer does not appear, the committee will not sit?

The Chair: No. If the committee is sitting, the Treasurer will appear. But we have already had indications from the third party that—

Mr Stockwell: So we are not sitting?

The Chair: That is up to you. As far as this committee is concerned, we are sitting this afternoon. But if the activities of the House and the votes and the bells and everything continue, then it makes it very difficult to sit.

Mrs Sullivan: It is impossible under the rules.

Ms M. Ward: It means if routine proceedings end, the committee sits, and if they do not end then we do not sit.

1130

The Chair: Before we adjourn, I had a little discussion with the Treasurer about the comments in the budget and he has indicated to me that he is very serious about changing the pre-budgetary process in terms of opening the system up, as he said in the budget, and making the process much more open than it has been in the past.

I do not ask for any recommendations at this point, but as Chair I would ask that the members of this committee seriously consider how the whole budgetary process has been done, how it can be opened up and how we can ask the Treasurer what direction we should be going in terms of the budgetary process in the future. I think this dovetails with the discussions we had just after we finished the pre-budgetary consultation, and I think it is worth while revisiting this in the near future. If you can think of some recommendations and issues this Chair can recommend to the Treasurer for approval, disapproval or whatever, I am looking for that as well.

Mr Kwinter: The solution is so simple and so obvious—it is just a matter of whether the will is there—that is, that nobody makes a representation to the Treasurer; they make all their representations to this committee and we then forward them to the Treasurer. Right now, what happens is that this is a pro forma exercise; the people who come here come here only because the opportunity is there, but they know the guy they have to talk to is the Treasurer. They come here, they do their thing, but they

ure: "These guys aren't going to have any influence. It's the Treasurer who is going to have it."

If this committee was really the committee that was doing the pre-budget consultations and then it would send its findings to the Treasurer and meet with the Treasurer and say, "Here's what we've done," that would solve the problem.

Mr Sutherland: Coming back to the cross-border shopping issue in terms of the process, I have a suspicion that we will not be able to get the Treasurer next week in the morning but in the afternoon, because I believe another time he appeared he indicated he has a regular cabinet committee meeting on Thursday morning. If we are not meeting him till the afternoon, will we be prepared next Thursday morning to deal with the report from the research people? I do not want to put you through the budget process again, of the report and the deadlines, but would it be possible for us to get the report ahead of time, possibly Wednesday, if we have to look at it on Thursday morning?

The Chair: We have asked the researcher to do two things: one, to research all this other information; two, to put together this overview. That is an awful lot of work.

Mr Sutherland: Maybe you could just give us a sense of what the time line here is, given what we are asking to be done.

Ms Anderson: We can aim for that. Maybe there is a question of your priority, whether you would rather have a draft of the report—we will collect the information and we have the other information on the tax structures of the United States and everything else like that, fine; or whether you would be happy to have that information the following week if we cannot get it in time for next week; or whether you would rather have the information first. We will aim to do both for next week, but if it is not feasible, how would you prioritize?

The Chair: The information first?

Mr Sutherland: I guess we will need the information to do the recommendations even if they are going to be the following week, so maybe you should try for the information. If we could, without putting an undue burden, we would appreciate it.

Mrs Sullivan: I just wanted to suggest that when the Treasurer comes before the committee he be prepared to expand on precisely what his view is, with precision, of the role of this committee in budget-setting. I think it is very clear that the budget is the number one important document. It is a highly political and partisan document because it outlines the program of the government in terms of power for spending and puts within that program the philosophical constraints and reaches of the budget. This is not a non-partisan document by a long shot, and I think he should be far more clear than he has been in the fudgy words that have appeared in the budget about how he sees the role of this committee.

Additionally, I think it is important for him to come before the committee with a statement of his philosophy relating to budget secrecy and whether he is going to throw out the concept of budget secrecy, and where he sees the possibilities for gain as a result of budget decisions in any tax moves that are made or recommendations this committee may put forward or that come from anywhere. Indeed, there is an opportunity for gain and for conflict, and that should be something he has considered and is willing to speak quite forthrightly about before this committee.

Mr B. Ward: Just to follow up on the meeting with the Treasurer, are we going to discuss that as well as the cross-border shopping impact? We only have so much time.

The Chair: My impression was that the Treasurer was not coming to discuss cross-border shopping, but was coming to do a debriefing on the budget and the budgetary process.

Mrs Sullivan: Maybe he will tell us how it was accepted across the province.

The Chair: With reference to Mrs Sullivan, if the Treasurer comes this afternoon—I cannot speak for him—I will certainly give him your questions, but I am not sure he would be prepared to answer them this afternoon quite that way. But you could possibly put them to him this afternoon.

Are there any other questions or observations? Okay, the committee is adjourned, hopefully until this afternoon at 4 o'clock.

The committee adjourned at 1137.

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Thursday 9 May 1991

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Finance and economic affairs**

Cross-border shopping

Budget process

Assemblée législative de l'Ontario

Première session, 35^e législature

Journal des débats (Hansard)

Le jeudi 9 mai 1991

**Comité permanent des affaires
économiques et financières**

Magasinage outre-frontière

Procédé pour déterminer
le budget



Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 9 May 1991

The committee met at 1014 in committee room 1.

CROSS-BORDER SHOPPING

The Chair: We have a quorum. Now we can begin.

MINISTRY OF AGRICULTURE AND FOOD

The Chair: The first presentation is from the Ministry of Agriculture and Food: Bob Seguin, executive director, policy and programs, and Laurinda Lang, policy adviser, policy analysis branch. Welcome. Thank you for coming.

Mr Seguin: We have provided to you a copy of the presentation. What I thought we would do is quickly go through it and then allow for questions and answers, which I think would be more in the committee's desire to do.

We have also provided for you a copy of the legislation under which supply management in Ontario operates—the Milk Act and the Farm Products Marketing Act in Ontario—and a copy of a study that was released by the federal government on Tuesday on the impact of cross-border shopping in northern Ontario, particularly on dairy products. We received it late Tuesday afternoon and we thought the committee might wish to have a copy of it sooner rather than later.

On behalf of the ministry, I am pleased to be here to give some of our concerns on cross-border shopping, some of the work that we are doing now and also discuss supply management in Ontario.

If you look at the first page, there are a number of studies. I believe the committee is probably well aware of some of the results of the studies about the impact of cross-border shopping. The study that you have in front of you from Agriculture Canada on cross-border milk purchases was done in 1989-90. It has unfortunately been delayed in getting reviewed. It was just released this last week. In 1989 over 8% of fresh milk and 1% of the cheese was imported by cross-border shopping. This was an issue identified by the milk farmers in Ontario, and it was not until the study was done that we realized the extent of the impact of cross-border shopping.

In March 1990 they looked at the prices between northern Ontario and the jurisdiction just south of it, and the differences in milk prices are there, the estimates of impact on a gallon-of-milk or pound-of-cheese basis and the numbers of shoppers importing milk through cross-border purchases.

I should also indicate, as the last item says, that Agriculture Canada is now undertaking a number of studies on border points throughout southern Ontario to examine the cross-border impact.

Agriculture Canada has also undertaken a study in April 1991 on Canadian and United States cities, looking at the impact and price differential on grocery products. As you can see, the preliminary results indicate that prices are

higher in Canada by about 10%. The disparity seems to be greatest for Ontario, and of course the items that probably you are interested in, supply management products, are high. There are also condiments which are high and non-food items, which in the parlance of the retail trade would be health and beauty aids. These are higher in Canada than in the United States. The expectation is that later this month Agriculture Canada will release the report.

On our own efforts in the ministry staff, Laurinda and colleagues have visited the Niagara area, spoken to local retailers and the people involved on this issue down in the Niagara area. They have taken a look at grocery product prices in both St Catharines and Niagara Falls, New York. They have worked with our sister ministry, Industry, Trade and Technology, on cross-border shopping—this has been ongoing for about two years—and the monitoring of the federal government at work, both the previous studies and ongoing efforts, and working with the industry to look at cross-border shopping and what we can or cannot do.

On the issue of supply management, you should be aware that farm cash receipts total about \$5.6 billion as of 1989. The items there under supply management total almost \$2 billion. Supply management in Ontario is a significant industry for the farm sector. It is a system that has been in place in Ontario for the milk industry since 1965-66. It is an orderly marketing system. It benefits producers, processors and consumers in terms of stable supply of product at a reasonable price. There are national systems in place. Our legislation is tied to the federal legislation in dairy, poultry and eggs, and the fundamental elements are production controls, a sense of fair returns to the producers and border control so that we can maintain the system in Ontario and in Canada.

Just quickly on production controls, both provincial and federal legislation allows for these plans to be put in place, both on a provincial basis and on a national basis. On the national basis, it allows for the border controls.

Production is based on domestic market requirements, our best estimates of that. Provincial shares are allocated on a historical basis. That has been the subject of some concern with a number of provinces in the last several years, given the shifts in domestic market, but we are working on that. Each provincial board is responsible for regulating and administering the producers in that province. Production is limited and producers are penalized if they exceed production quotas, so the system plays fair by all parties.

There are cost reduction formulas. These are updated on a fairly regular basis, particularly with the milk industry. There are different pricing systems. The poultry industry is not homogeneous. There are different pricing systems, and different from dairy as well. The dairy industry does get some extra benefits. They do get the federal government to purchase any extra skimmed milk powder or extra butter

and the federal government does provide a \$6.03-a-hectolitre subsidy, which has been in place since the late 1960s and has not changed, essentially, since then. Therefore, the real benefit of that subsidy has declined over time, and the original context for that subsidy was to reduce the price of dairy products in Canada for consumers.

1020

Border controls are the ones that probably raise the most public concern. Imports of such products that affect the dairy industry and poultry industry are subject to border controls under the Canadian Dairy Commission Act. Certain dairy products are defined and they are limited and under the import control measures of the federal government. A certain number of poultry products are also limited. These import controls are legal under GATT article XI.

Under the GATT negotiations that are now under way, Canada is seeking to strengthen and clarify article XI such that we are not always subject to panel disputes by other nations over what is really a dairy product or what is a poultry product, what can be controlled and what cannot. The minister's view is that he supports the Canadian point here, that it should be strengthened and clarified. That is a view he expressed when he attended, on behalf of Ontario and the Ontario farm industry, the GATT negotiations in Brussels late last year. We will continue our efforts to see what we can do with the federal government to make sure that point is maintained. It is a point that is also stressed by the dairy and poultry producers throughout Canada.

Dairy policies in the European Community and the United States are not similar to ours. We do have a different system. The European Community over the last several years has adopted a modified supply management system for its dairy industry, partially reduced the impact of the dairy surpluses on its own budget. The US operates a more open-ended support program. They are willing to purchase extra product and they have import controls. Both the European Community and the United States allow fewer imports into their jurisdictions than we do into ours.

The next page, and I will not go into detail, provides just a very quick synopsis between the US dairy system and how it operates and the Canadian dairy system. Basically, the US Treasury will subsidize the industry by taking extra product off the market and then reselling it back at some later date when the market's prices have risen. The Canadian industry allows such stabilization to occur through consumer prices with the exception of dairy, which has a direct subsidy component.

If you turn to the next page, you will get—the chart reads from bottom to top on the newer years—what the Commodity Credit Corp of the United States pays net on outlays to support the dairy industry. As you can see, as late as 1986-87 the United States government was spending a considerable amount of money to support the dairy sector in the US. In the last two years it has been reduced, partially because the milk surpluses that existed in the mid-1980s declined somewhat. However, the current US Congress is now debating whether they should have a special dairy support program because the prices for dairy farms in the United States have dropped so low. It is the

centre of discussion in both the House of Representatives and the Senate.

I believe one of the concerns the committee has probably raised is looking at alternatives to supply management, what options there are and what other things are being done to make the system maybe a little more flexible. The federal government in 1989, under the former minister, Mr Mazankowski, and with the consent of all of the agriculture ministers across Canada, undertook a federal agriculture policy review, and two of the key areas they looked at were dairy policy and poultry policy. Two task forces were created with both producer and processor members on both and government representatives from the federal level.

The poultry task force report is released and is under discussion by the industry. The dairy task force report is soon to be released, and we anticipate it will be released probably in late May or early June. It is anticipated that when the ministers of agriculture meet in Alberta later in July, both reports will be under discussion to see what steps can be taken.

You should be aware that in the dairy industry the ministry worked with both the processors and producers to pull together a response on dairy. We have made presentations, both written and oral. You all have that page of what the groups were. The key points at that time, and it was in light of what the GATT negotiations were doing as of late fall last year, were: maintaining the essential elements of supply management; accepting that policy and administrative changes could be made with consensus within the supply management system that exists; and that the federal government reaffirm its support, which it did throughout the fall and at the Brussels meetings.

The poultry task force received about 171 oral and written submissions. We made two submissions as a ministry, as you can see, for increased product availability and greater flexibility and again to support article XI. We also co-operated with the Ontario Egg Producers' Marketing Board on a special two-price proposal to increase the flexibility within the system.

The next page would have the recommendations of the poultry task force, basically twofold; one is operational changes and the other is more structural. The chairman from Quebec indicated that she had consensus of all members of the task force for these recommendations and a number of the changes would improve both the flexibility of the supply management system and its ability to accommodate the differential changes both to processors and producers. It is now under discussion by various boards, the agencies and the governments. The ministry itself is assessing its position on the poultry task force report.

As some of the members of the committee may be aware, tobacco is under a special supply management system. There is no national system for supply management for tobacco, but the Tobacco Board of Ontario does operate a special supply policy. The tariffs on tobacco are being eliminated. We are under a declining demand situation for a number of reasons. Increasing taxation on tobacco is a concern to the tobacco industry and it is one that all governments are involved in. There is some concern about the growth in smuggling of tobacco and the impact that has

both tobacco consumption for the Canadian industry and on budgets. Cross-border shopping is also being encouraged because of the differential in prices. On the significant adjustments in the tobacco industry since the mid-1980s, we have been involved with the tobacco industry and with the federal government in looking at tobacco adjustment programs, and we are involved now in re-examining which programs and which policies we will pursue in the future to assist the industry as it makes its adjustments.

Final comments: It is a concern to the industry and to the ministry about cross-border shopping and its impact. We should note that from our point of view the supply management system in Ontario and in Canada has worked well. There are certain difficulties, certain things that always could be improved, but there is no need for dramatic change. There are national efforts with producers and processors, and in some cases the consumer groups involved, to make those changes and to bring them forward. Ministers of agriculture, both federally and provincially across Canada, will be looking at these issues in July at their meeting in Alberta.

So with that, Mr Chairman, I will take questions if you wish.

Mr Kwinter: I want to ask some questions and make some comments. I feel kind of relieved to be not in the government and to be able to address this, because every time I addressed it when I was in the government I risked the wrath of the agricultural industry falling on my head. The mere mention that I was even going to address supply management brought threats of circling Queen's Park with tractors. It is sort of a holy icon—

Interjections.

Mr Kwinter: It is true. But one of the problems we have is that there are conflicting interests. There are the farmers who have a legitimate concern about their ability to earn a livelihood and then there are the consumers. It is exactly the basic issue that we have with cross-border shopping.

I would like to question you when you say supply management is "an orderly marketing system that benefits producers, processors and consumers." Obviously it is not benefiting consumers because milk, which is under supply management, happens to be one of the biggest items. I think in your study you say that 85% of the cross-border shoppers imported milk when they went to Sault Ste Marie, Michigan, so obviously it is not benefiting the consumer. It may be benefiting them in the sense that they get security of supply, but they do not get security of price, and that is the problem.

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When you talk about it and you say, "You have a cow which may even be the brother of the same cow that is on one side of the border, and the other cow was on—"

Mr Phillips: Better make that "sister."

Mr Kwinter: Sister, okay. Well, in order to get the sisters, you have to have a brother in there too.

What I am saying is that you will have these cows on both sides of the border producing the same kind of milk, and yet there is this huge discrepancy. You cannot say,

"Well, it is because of the importing, it is because of mass production" or anything else. Milking machines are virtually the same. Labour is virtually the same when you are self-employed as a farmer. The big difference has got to be the difference in whether it is supply management or the system that is used in the United States. That has to be the major factor on a product that is so time and price sensitive. It is not that it is mass produced and that someone can go and build it cheaper somewhere else; it is that kind of product.

Again, there are conflicting things. A consumer wears many hats. He wears the hat of not only being a consumer but he has also got to be employable and employed in all of these things, and you have to protect that. When it comes right down to price, I would submit that one of the major factors is supply management and what it does to artificially keep the price where it is, whereas in a so-called free market system, it would reach a competitive level. I am not saying it is good or it is bad, because there is no question that supply management has a lot of good in it, but it certainly is the factor, so we have to deal with that.

Mr Seguin: The industry is well aware that there is need for some changes. That is why they are involved in these national task forces, at both the producer and the processor levels. Within Ontario the Farm Products Marketing Commission, which supervises all the boards, is involved with bringing processors and consumer representatives together, bringing together the conflicting needs and demands on the system, while trying to still maintain a fair return policy for farmers.

But I guess to say that the systems are equal in comparison is forgetting about the fact that the US farm policy is not identical to ours, and the way it subsidizes and assists the dairy industry is not identical to ours. The US system allows excess dairy production to be bought off the market temporarily, thereby raising prices to some sort of level without the impact felt by the producers and the impact felt on prices.

It is also that the US dairy industry has substantial import protection, far more than we have, and it is not willing to give that up, even though the Canadian government and the Canadian milk industry and poultry industry are willing to give up some of that import protection to allow for a little bit better balance and greater security.

It is a different system, and to say that all the problems are based on supply management is not quite correct. The United States government is subsidizing its dairy sector, so it does not have to go through some of the adjustments and some of the demands on the consumer marketplace that our system would go through.

The fact that there are some price differences is acknowledged by the industry. It is just, how are we going to work around them, at what points is the pressure being felt and what can be done on those points of pressure? It is not an easy issue. Simply changing the milk price in Sault Ste Marie, for example, for this study—what about the impact on milk producers in the Sault Ste Marie area and the surrounding area? What would be the benefit to the consumers? There is no assurance that the milk price decline would be passed on to the consumers. So it is not quite a simple issue and we are working on it, but to look at it and

beef. I think the free trade agreement said the food producers were going to be the first hit, and I suspect that is happening. Based on what I hear from here, the way we subsidize our farm community is different from the US. It works again against us here and favours cross-border shopping. So I just cannot find much good news in all this sort of stuff.

I just have one question, I guess one minor question. The price comparison you did—what did that indicate?

Ms Lang: The one that our staff did?

Mr Phillips: Yes.

Ms Lang: Much the same type of thing. We did a very quick study, but again, certain commodities tended to be cheaper in the United States and some here. Again, the supply-managed ones tended to be more expensive in the States. We also found that another big draw was that beer was a lot cheaper in the States and that it was available in the grocery stores and was about half the price of here, not taking into consideration exchange.

But other than that there was also, within brands, such a wide range within the grocery stores that sometimes it was hard to—you know, with the quick study we did, we went down and back in a day kind of thing—it was not as if all products here were more expensive than all brands of the same product in the States.

Mr Phillips: I was mildly surprised at the 10% difference that the federal study showed. My impression was that it was higher. Did you find 10%?

Ms Lang: I am not sure we have percentages. The thing you might note about that was that it said 10% on average for Canada and it indicated that the disparity was greatest for Ontario, but they could not give me the figures. They just have not got that far in the report yet.

Mr Phillips: I guess when we get it in May it will help us. But this is May.

Ms Lang: Yes.

Mr Seguin: Later May.

Mr Phillips: Later May. Mr Chairman, the supply-managed commodities showing here at \$5.6 billion—

Mr Seguin: That is all commodities. The supply management are the ones that are noted.

Mr Phillips: Is Ontario a net exporter or importer of food?

Mr Seguin: It is a net importer. That is partially because we are also a major point of entry for any products coming into Canada.

Mr Phillips: That would surprise a lot of people.

Mr Seguin: We are also a major exporter, but on balance we are a net importer.

Mr Phillips: I realize that. That is my impression. Has it grown as a percentage?

Mr Seguin: It has been fairly stable over the last couple of years. There has been about a \$1-billion difference between our exports and imports.

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Mr Phillips: Over like a 10-year period, were we at one time a net exporter?

Mr Seguin: No. We have been a net importer for about a decade, but let's say the imports have grown over that decade.

Mr Phillips: I gather dairy is relatively well protected against importation. As we look down the road at these various commodities, what commodities are not well protected against the importation?

Mr Seguin: Under GATT, article XI provides protection only for those products that are on supply management and controlled domestically. Essentially, only those products that are on supply management, dairy and poultry products, would be under direct import controls. The exception is the wheat products because of the Canadian Wheat Board. Through the free trade agreement, that is now being opened up over time. Almost any other product would have had tariff protection and under the free trade agreement that tariff protection is being reduced. There are certain legal differences between the two jurisdictions. It does not quickly ease border access, but most other products would have, let's say, more open borders and there is no strict border control.

Mr Phillips, you did mention the beef sector. The beef sector is unregulated, yet it is probably under even greater pressure than almost any other because of American imports. Some of the American imports are due to the feed grain policy in the United States and the differential processing capacity of the United States versus that of Canada. Certain adjustments are occurring outside of the supply management sector.

Mr Phillips: I know your mind is on supply management, but I am just talking generically about food. I appreciate that.

Mr Hansen: Mr Sutherland asked part of the question there. I was in Pennsylvania—not shopping but visiting—this Easter and was told that some of the herds are increasing in size because of the sales of milk at border towns. The one instance was that the small farm there and a few other farms around were bought up and now there are 600 head running on that farm. A corporation owns it. There is a farmer in boots out there milking; but he is no longer an owner of the farm, just a worker. Is this an indication in the border areas, around 100 miles from the border, that the farms are increasing in size?

Mr Seguin: I cannot respond to that directly. It is a known trend in the United States to increase the size, but it is even more predominant in the deep South and California. It may occur more recently, but at least none of the information we have would suggest that this is an increasing trend. Certainly the pressure is on in the US dairy system to always expand in order to improve the returns of the farmers.

The returns of the farmers between two jurisdictions are quite different. Farmers in Canada can make a better return on the same size of herd than the ones in the United States and still survive. That puts increasing pressure on US industries either to diversify or to integrate and become that much larger, which goes back to my point to your colleague, that the US Congress is now trying to see if it can readdress that situation through other changes.

They do not have this kind of corporate concentration and its increasing trend to just have larger and larger herds, which also has an environmental impact. Definitely in the areas around Washington and Maryland, when we have met with US officials it has been raised to us that the waste management from dairy herds in particular has caused environmental problems. Yet how do you resolve that? Going to larger herds is not always the best solution. In California it has also been a major concern.

Mr Hansen: What it sounded like was that they were targeting Canada or Ontario as the new expanded area to be selling milk.

Mr Seguin: I cannot say if this discussion is a corporate or even a national policy, but it does seem they are under the most pressure of all the provinces.

Mr Jamison: I have been listening to Monte's concerns and yours over the tobacco end of things. I think most of your remarks were pretty well right on, but it did not really tell the whole picture. There is a significant difference between prices of a product, the end product, in the United States and Canada. It has caused quite a smuggling problem at this point, to my understanding.

Just as an example, one vanload of cigarettes at this point is worth \$1.5 million, and that is probably underestimated. That indicates the level. Any government that I have ever seen has always recognized very clearly the health implications of smoking and has taken steps in trying to combat the use of tobacco products in the end result. I think the problem with the ministry at this point is twofold: how do you do that in a controlled manner where the industry is gradually downscaled, and what effects do we create by doing that on the people who invest their whole livelihood in that particular end.

It is quite a significant problem because, when you have two jurisdictions that are closely related, and a wide difference in pricing on a particular product, that happens. But having said that, it is clear that all governments have taken that course. Certainly, the growers are the people at the other end who are most heavily affected and so on.

I do not think it deals with marketing or marketing boards. That is different than milk. I should be an expert on milk, because my family uses about 4,200 gallons a year, in quick calculation.

We have mentioned the system of management we have. I wanted to indicate that this is something that was expounded upon, the threat to our orderly marketing system or whatever, during and after the free trade negotiations that went on; how marketing boards could be—and it looks like they have been—threatened significantly.

Along with that, we have a situation that deals with something Monte Kwinter touched on, the GATT situation, where you have two extremely powerful economic bodies, the European Community and the United States, doing battle in the area of agriculture subsidies and so forth. The Americans have different ways of having a subsidy arrive at the farm gate, and the EC, of course, is very protective of its agricultural community. The problem that has created for us compounds upon the things I have just talked about, again reflecting on our ability as a lesser

financial power, as a country, to deal directly with the type of battle that is going on between these two powers.

In the secondary version, it is impacting. Our ability to access the American market, as Mr Seguin has just indicated, is limited to a greater extent than we limit the United States from accessing ours. That all brings about the question of the level playing field and how much of a level playing field has really been created over the last period of time with all those factors taken into consideration. My concern, I guess, culminates in the question: Do you see those particular problems in trade minimizing as we go along?

Mr Seguin: Not really. Under the free trade agreement we have approximately seven years to negotiate a deal on subsidies. Essentially, the federal government delayed pursuing it, as did the US federal government, pending the GATT negotiations which were to be resolved in December of last year. They were not. We are looking, if Congress agrees to a continuation in negotiations, probably at late this year or even next year.

In that agreement of subsidies even on a broader scale, it will still take a number of years to implement. No one is asking that these be implemented, let's say, within one year. So we are under considerable pressure within the country to maintain some other systems in place while these international negotiations continue, and if they are successful, until the agreements have some full impact.

We are also working among the provinces to try to minimize, let's say, the distortion between the provinces. It is not always successful, but we are also trying to do the best we can in non-supply-management products and in supply management products, such that there is easier trade and fairer trade between the provinces and then eventually between the nations. But it is a long-standing problem and it will take a long time to resolve, regrettably.

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Mrs Sullivan: I want to ask Mr Seguin about quota. Would it not help Ontario producers and indeed our grocery retailers if there were an adjustment in the quota formula and Ontario received additional quota?

Mr Seguin: In the poultry sector the Ontario government, the chicken processors and the chicken board did pursue together for a while the option of expanding quota in Ontario. Even within an expanding market someone would have to lose, and those were quite difficult negotiations. We have succeeded to a minor extent in improving the quota allocations and total allocation to Ontario, not to the satisfaction of the industry, but there are certain historical difficulties in the original allocation which will not be easily resolved. These are things that will be brought forward to ministers probably in July to see if we can start the steps of eventually resolving that so that we can get the extra quota.

On the milk situation, while there have been discussions on this, this is not as considerable a concern at this time about the reallocation between provinces. It is not quite as considerable as it is in the poultry sector.

Mrs Sullivan: The Ontario Milk Marketing Board thinks it is a concern.

Mr Seguin: It is a concern, but not quite as considerable as the poultry. They are working within the system as best

I should say that something like this requires a tremendous number of attempts to interview. We contacted more than 80 people in Canada and the US across the three product categories. We had in excess of what we considered 30 good interviews where we had full co-operation; we had various levels of co-operation but a fair degree of co-operation from the various players that we talked to.

So today I can present some highlights of our findings in the report. I understand that you have copies of the report. I will not show you all the cases, but I will walk through several of them. As I said, some background research was done to try to find some comparative information on the distribution channels in Canada and the US, particularly as it relates to the competitiveness of those channels.

We found there was very little work already done in this area. So we attempted to do our own basic comparison and we looked at 1987 Statscan data and 1987 Bureau of The Census data from the US. We have compared sales per establishment in the broad categories within those two publications. From this we see that on average US wholesalers and retailers appear to be much larger than Canadian wholesalers and retailers in terms of sales per establishment. And that suggests there are opportunities for efficiency and effectiveness within the retailing and wholesaling system in the US.

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As I mentioned earlier, we looked at three product categories: consumer electronics, bedding and linen and women's sportswear. For each of these, I will show you the structure of the channel that we identified in Canada and the US, I will show you the markups or how the prices come to be built up and we will draw some general conclusions.

We are not really talking about any one specific product in our examples. What we have tried to do is construct, based on our input, typical cases within the product categories.

So the first one we will look at is consumer electronics. The consumer is at the bottom and the manufacturers are at the top, the manufacturers being primarily in Asia. In both Canada and the US, product is sold by the Asian manufacturer through a manufacturer's distribution subsidiary. This is for major brands.

On the left there are the retail options, being mass retailers, national specialists, independents, department stores and discount stores. We also acknowledge that there is some grey market activity here in both Canada and the US, as a source of supply primarily to independents and discount stores.

I point out that mass retailers and department stores, mostly in Canada, have a larger share of the market.

Ms Harrington: What is a grey market?

Mr Buchanan: Basically a grey market is where somebody, on an entrepreneurial basis, will source product someplace else and move it into a market, bypassing the regular distribution channels. There may be excess inventory some place in Asia, anywhere in the world, that they can pick up for whatever reason at such a good price that it makes it profitable for them to bring that in independently and land it in the country.

Ms Harrington: Is it perfectly legal?

Mr Buchanan: There are some disputes about the legalities, issues related to trademarks and licensing and so on.

Mr Sutherland: What is the grey market percentage?

Mr Buchanan: I am not sure. We understand that there is more of this activity in the US than there is in Canada, because the US is such a large market. If you are an entrepreneurial type and you are able to source product very cheaply elsewhere in the world, the US would be a more attractive market to take product into.

Going back to this, you see that for some products most minor audio and video components are sourced by these retailers through the independent distributor that you see in the lighter blue box. These would be videotapes, audio tapes, etc, but some larger products are sold through the independent distributors to independent stores or discount stores.

In the US, national specialists and discount stores are much larger players in the marketplace than in Canada. In Canada, the department stores tend to be where the volume of audio and video components are sold.

If we look at the case now of a typical video product sold through independent retailers and through this independent distributor, we can see how this cost is built up. The bar on the left is Canada and the bar on the right is the US. These are all in US dollars, I should say.

In Canada, the product would sell for approximately \$434, through this and an independent retailer, versus \$381 in the US. The differences are that, to start right at the manufacturing level, the manufacturer earns \$16 more on average for a product like this on its sales into Canada than it does on its sales into the US. Add to that transportation and duty costs—the landing costs associated with getting it into the country, which are \$20 higher in Canada than in the US—an additional \$8 for the Canadian subsidiary distribution company, an extra \$6 for the independent distributor and an extra \$3 for the retailer, and you end up with a price which is about \$53 higher. This shows how the absolute costs are higher.

The next chart shows how this is built up as a percentage of the total retail price. The pink is the manufacturer, the dark blue transportation and duties, lighter blue subsidiary costs, the orange distributor and the green is the retailer. You can see, although the retailer in Canada is actually charging an extra \$3 for that product, on a percentage of the total retail price, his margin would actually be slightly lower in this example, 19.5% to 20% versus 18%, the major difference here being the landing costs, transportation and duty costs.

This slight buildup, starting at the manufacturer level—the manufactured price is built up to where prices would be about 13% higher in Canada.

Interjection.

Mr Buchanan: That is right, because it is compounded. It starts slightly higher, and then there is a compounding effect.

Let us look at high-volume retailers, department stores, mass merchandisers. The price difference is lower here, and the absolute prices are lower as well. You see in Canada

price being \$348 versus \$302 in the United States. The manufacturer, again, is earning \$16 more on its sales into Canada. Again, the transportation and duty costs, landing costs, are about \$20 higher. The subsidiary is earning another \$12 in Canada. The distributor has been eliminated, the retailer in this example, the mass merchandisers, department stores, we have indicated would actually be earning about \$2 less on the sales of that product than could be a comparable retailer in the United States.

If we look at that in terms of the total buildup, you can see again that although the manufacturer earns a greater percentage of the total retail price in the US, in absolute dollar terms he is earning more on his sales in Canada. The transportation and duty costs, the landing costs are higher, and you can see here that the Canadian retailer is earning about a 23% margin on that product, versus about 27% in the United States.

Mr Stockwell: But that 23% margin is based solely on the numbers that you have put together. It does not take into consideration the municipal-provincial taxes that he pays that the US retailer would not pay.

Mr Buchanan: That is what he is taking out of it, and adding in his costs—

Mr Stockwell: Then he has to service his costs by adding the labour, taxes, etc.

Mr Buchanan: His costs are absorbed into that, yes.

Mr Stockwell: So he is taking 23% profit after he pays his taxes, etc.

Mr Buchanan: That is not his profit; that is his margin.

Mr Stockwell: Margin, I am sorry. Then after he pays that, he could be making less than the American.

Mr Buchanan: That is correct. Could be, yes.

So sourcing direct to the factory subsidiary distribution company has lowered the overall price, but there is still a price disparity between Canada and the United States.

We have some preliminary findings. We found that the channel structures are quite similar between Canada and the United States. However, there are differences in terms of the relative strength of some of the players in the channel. In the US, there seems to be greater competition based on the rise of the discount stores and the independent or specialist audio and video stores.

Duties and transport costs are generally higher in Canada. It costs more to get the product into the country in the first place; margins are generally comparable, however. The manufacturer may have a slightly higher margin on its sales into Canada. The retailers appear to be earning comparable margins, or perhaps in some cases slightly lower margins in Canada.

Now we will move on to bedding and linen, and once again I will look at the structure, the margins, and draw some preliminary conclusions or findings.

Manufacturer gain is at the top. In terms of comparability, we felt it was best to compare back to the same manufacturer, so we assumed US manufactured bedding and linen products and went through the channels on both sides of the border to be able to draw this comparison.

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The manufacturer again is at the top. In terms of comparability, we felt it was best to compare back to the same manufacturer, so we assumed US-manufactured bedding and linen products and went through the channels on both sides of the border to be able to draw this comparison.

The boxes on the left, the US mass merchandisers and department stores, buy directly, for minor brands, from the manufacturer. Independent retailers will buy through a distributor. In Canada, the light blue boxes, it is the same situation for minor brands. Canadian mass merchandisers and department stores source directly. The independents go through a Canadian distributor.

The Chair: Do the manufacturers not have manufacturer outlet stores? Where would they appear in this in terms of them being able to put their seconds and—not their rejects, but their lower-quality products directly into the markets? The factory outlet malls in Lewiston and in New York are really a major part of the problem. Are they in that somewhere?

Mr Buchanan: We were trying to look at the industry as a whole, and they are not a large percentage of the sales right now, but I think they are growing, and they would be sourcing directly from the manufacturer. In New York, the store that I am familiar with in a factory outlet mall is not actually a factory outlet. It is an independent discount store. It sources from a number of manufacturers. We are giving an overview here. There are variations on it, and that is a good point.

Mr B. Ward: I have a question on the Canadian mass merchandisers and department stores. Is that Canadian-controlled department stores, or is that just the fact that they are in Canada and they could be American-controlled?

Mr Buchanan: It is not specific. We talked to a number of companies in that category.

Mr B. Ward: Were the majority Canadian-controlled or were the majority American?

Mr Buchanan: I suspect that the majority were Canadian-controlled. There are more Canadian-controlled department stores.

Ms Harrington: Are all manufacturers in the US? Are there not Canadian manufacturers?

Mr Buchanan: My understanding of the industry is that there are some Canadian manufacturers, but they tend to supply, not the full bedding sets, but accessories and so on. The major brands appear to be primarily US.

Ms Harrington: I am quite disappointed. I would think that if I wanted to shop for those things, I could get all kinds of towels and/or sheets that are made in Canada. Is that not the case?

Mr Buchanan: Yes, you could get some. For purposes of our comparison it would work best if we went back to the same manufacturer, because we are trying to determine how the differences arise between the retail price and a manufacturer's. So in only one example did we go back and compare our Canadian manufacturer to a US manufacturer.

Ms Harrington: Okay, but it is true that you can buy Canadian, made here?

Mr Buchanan: Yes, I understand you can. The two examples that we have are for major brands, however. Those were more minor brands. For major brands, the significant difference here is—off in the top right-hand corner you see a Canadian distribution subsidiary or an affiliate, which tends to add an extra level. All sales for major brands will be sold through this extra level in Canada.

Mr B. Ward: A subsidiary? Where do they come from? Why do we need that extra layer in Canada?

Mr Buchanan: Many US manufacturers in a number of industries have distribution subsidiaries in Canada for sales and marketing purposes to support advertising, promotional efforts. They would also handle whatever repackaging or relabelling might be required. There is a marketing function here, just as the Asian manufacturers of consumer electronics have distribution subsidiary companies to manage the sales and marketing and distribution of products.

Mr B. Ward: They make the product in America. They ship it to Canada. They put different labels on it, and then the Canadian distributor picks it up from there. Is that the procedure?

Mr Buchanan: I am not sure where the actual repackaging would occur, whether that would be done in the US or in Canada, but this is a sales and marketing approach. There would be a physical service in terms of the delivery of goods, as well, so that there is an inventory of goods within Canada to be shipped to the retailers.

The Chair: I think it would be a good idea at this time to let Mr Buchanan finish his presentation because we have time constraints and I believe there will be votes in the House, so I think we should have all the presentation in. If there is time remaining, we can ask these questions.

Mr B. Ward: And if there is not any time?

The Chair: Just SOL.

Mr Buchanan: So the first case we will look at is the independent retailers in Canada and the US who buy through these distributors, the US distributor and the Canadian distributor. You can see here how the costs are built up. Comparable product would sell—in US dollars—for about \$133 in Canada, versus about \$52 in the United States. The manufacturer would charge approximately \$1 more for the sales of product which go to Canada than for sales within the US. We add to that our transportation and duty costs of \$6, a subsidiary cost of \$17, which would not exist in the United States, the independent distributor which is an extra \$9 in Canada versus in the US, and then the retailer is, in this example, charging an extra \$48 for the product than would be the case with a comparable retailer in the US.

So you can see how the percentage of the final retail price is allocated between the different players in the channel in these charts. The manufacturers in the US are earning a much larger share of that smaller pie. In Canada, the retailers typically earn about a 50% margin on a bedding and linen product, versus about 35% in the US.

There is an additional step here, that subsidiary distribution company, and also an additional cost in terms of the

landing cost, transportation and duties. If we source it direct and bypass that independent distributor—this would be a mass merchandiser or a department store. See, there is still a major price difference here: \$96 in Canada versus \$36 in the US. Once again, the manufacturer earns an extra dollar on the sales into Canada than in the US. Transportation and duty costs and the subsidiary costs are about \$23, and those are costs that do not even exist in the US, and then the retailer is adding another \$36 to that in Canada, an additional \$36 to that in Canada. It is interesting to note here that that manufacturer in real dollar terms is actually earning the same amount of money on sales in Canada and the US, but you can see that it represents a much smaller component of the total cost in Canada than in the US.

There are a number of additional steps, as I have alluded to—transportation and duty, subsidiary costs—and the retailer in Canada typically would earn about a 50% margin, versus about 33% or 34% in the US.

So we see that in Canada our preliminary findings are that there is an additional level in the Canadian channel from major brands of bedding and linen products. This extra level and higher retailer margins add costs to the product, as well as the landing costs—transportation and duties—that do not occur in the US for US-manufactured product.

The higher retail margins in Canada are offset somewhat by this aggressive occasional promotional discounting, the white goods sales phenomenon. So although on a regular price basis there are these higher margins, there is some aggressive discounting that is traditional within the industry.

The final channel that we looked at was women's sportswear. This is a little complex. There is the top level, manufacturers. There are domestic manufacturers in Canada and the US that do all of the manufacturing. There are contracting manufacturers in Canada and the US. The contracting manufacturer is the company that basically owns the brand name or the design and has part of the manufacturing done offshore and then some final manufacturing done within either Canada or the US.

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Mr Stockwell: They sew on the label.

Mr Buchanan: There are also just the importers as a source of product. There is an extra level. There are additional sales costs within this industry. There is a direct sales force, employed by all three levels, or independent agents. They use a variety, depending on the type of account that they are trying to service and their own particular size and circumstances.

In terms of the retail channel, the next level down, there is "Others." We will start with "Others." There are factory outlets, mail orders, mail order operations. There are discounters, department stores and apparel specialty stores. All of these exist in Canada and the US, to some extent or other. However, the factory outlets and mail order operations are much more significant in women's sportswear in the United States than in Canada, and that is a vertical integration from the manufacturer through into retailing. In Canada, the predominant players for women's sportswear are the department stores and apparel specialty stores.

We found that within that structure, because of the pre-ninance of the factory outlets and the mail orders, there is a price competition at the retail level in the United States than in Canada. Once again, as in consumer electronics, the structure is identical between Canada and the US but the relative strength of some of the players is different.

The first case is domestically manufactured product sold through department stores by these direct sales forces. In this case, we have looked at products manufactured either in Canada or in the US and then sold. This is fairly straightforward. The manufacturer in Canada is charging about an extra \$3 than a comparable manufacturer in the US for a comparable product. The Canadian retailer is charging an extra \$9. So the net result is that a similar product would be selling for what would be US\$62 in Canada versus US\$50 in the United States.

I will not show you the pie chart because there are only two pieces to the pie in each case. What this suggests is that in Canada the retailer has about a 58% margin, versus 47% for the US retailer.

The next case is US manufactured product sold through apparel specialty stores. This comes back to the comparison to the same manufacturer. In this case the manufacturer would generally charge about the same price for sales of product which would go into Canada or the US. We have additional transportation and duty costs which they obviously would not incur. That adds \$6. The sales agents would earn the same between Canada and the US on that product and the retailer would add an additional \$10 in Canada, which yields a price comparison of \$72 versus \$57.

In terms of the retail margin, the green part of the pie, you can see that in this example the retail margin is marginally higher in Canada, 50% versus 47% in the US. We have an extra cost here of transportation and duties, that landing cost.

Some of the preliminary findings that we have for women's sportswear: Once again, the channel structures are similar in terms of the options for getting product from the manufacturer to the consumer. We see that there is greater US price competition within the channel, due to the number of participants, brand availability and forward integration. By "forward integration," I mean this move into factory outlet stores by US manufacturers, causing greater price competition throughout the channel. Duty and transportation costs will be higher in Canada and Canadian margins are slightly higher at the retail level.

We have some preliminary findings for the three channels as a whole, based on the research that we were able to do. US firms have scale advantages. Remember wholesalers and retailers, on average, in the United States have almost twice the sales per establishment as in Canada. This allows, we believe, for some opportunities for efficiency and effectiveness in terms of operations, and the relative size of the US market and some of the players within that market allows for some economies in terms of sourcing, so the distributor of consumer electronics products can actually get a better price from the factory than the Canadian distributor can.

I may as well go through all of those.

Operating and overhead costs appear to be higher in Canada. As I said before, we did not look at income statements and balance sheets for specific companies, but through the interview process it was identified that, largely, people felt that labour costs and occupancy costs as well as taxes were higher in Canada than in the United States. Canadian regulatory costs appear to be higher, and by that we mean those regulations which cause costs related to repackaging or special packaging requirements, labelling, duties, standards, measures, all of those things, which means that the product which is sold in Canada has to be slightly different from the product that is sold in the United States.

Some Canadian retailers appear to demand greater margins, but we also have evidence that Canadian retailers on average, within certain types of products and so on, who have comparable retail formats are not charging higher margins. Then, those higher margins are partly to offset some of these additional costs. I think the point was made earlier that that does not mean they are necessarily that much more profitable. I think there is evidence that they are not that much more profitable or any more profitable.

Finally, inter and intrachannel competition is more intense in the United States. By that, we mean that between different types of retailers there is more competition, and then within each category of retailers there appears to be more competition as well.

Something that is not here but is worth noting is that we have found some structural differences, where there are extra levels in the distribution channels in Canada than there are in the United States.

Those are our findings based on this preliminary report. As I said before, we had limited time, a limited budget, and the intent here was to flush out some of the major issues. As I said also, we wanted to identify some of the further research needs. This was our first effort at identifying the research needs and I am sure some of you have additional ideas and we have some additional ideas now. So this is the first list.

We see that there is a need to understand how Canadian firms might become more competitive on a service basis rather than a price basis. What we see with cross-border shopping is a certain segment of the consumer market which is more price-sensitive or more value-oriented, if I can make those comparisons.

One of the ways to counter that would be for everybody to lower prices, which is indeed unfeasible, certainly in the short term. There may be opportunities, and there are opportunities, for Canadian retailers and also for Canadian distributors to compete based on service, finding ways to improve their service to their customers, but more information needs to be developed to find ways for them to do that.

1150

We also think that there will be structural changes to the wholesale industry. It would be important to understand how some of the structural changes that may take place would affect the economy as a whole. In other words, how would the change to larger distributors and retailers to become more similar and competitive with the US affect the way we do business in Canada?

There will be to a certain extent some north-south realignment, I think, within distribution channels in Canada as our economies become a little more closely integrated. Some of the decisions that will drive this will not be made in Canada. They will be made by foreign manufacturers who look at ways to get prices down in Canada to become more competitive and re-evaluate whether, for example, they do have that factory-owned distribution subsidiary. As I say, many of these decisions will be made outside of Canada. There will be a need to understand on what basis those decisions are made and what might be done to influence them or that may be in the best interests of the Canadian consumer and the Canadian economy.

We also see a need to have a much better understanding of the grey market phenomenon in terms of its magnitude and its impact.

Service leakage is something not directly related to our study, but we know from work that we have done that there is a major service leakage, expenditure leakage, associated with cross-border shopping in terms of tourism and hospitality. Those things are part of a package when people go and buy goods. They may be saving enough money on buying goods to incur some additional costs in terms of services. That is a significant component of this as well.

We think there is a need to take the work that we have done to the next level of detail in terms of the cost structures at each level. That is what will start to drive, I think, some of the policy decisions that may occur provincially and federally as well when governments look for ways to help the private sector become more competitive.

It would also be important to expand the number of categories that are under examination. There has been very little work done in this area. We really do not know where the channels are similar or where they are not and why they are different.

We also think it would be important to understand the role of commercial property subsidies here. There are indications that some of the factory outlet malls and so on that are springing up are receiving certain subsidies, tax holidays and so on, specifically to take advantage of the fact that Canadians are now interested in looking at lower-priced goods in the US. That has a role in terms of the relative viability of a Canadian retailer versus the US retailer.

Of course, I think it is important to understand better the role of the regulatory costs: total taxes and packaging, labelling, standards, measures, third-country duties, etc.

Once again, Ernst and Young is very pleased to have been able to make this contribution to your deliberation on the issue. The results of our work suggest that this is a matter of total system competitiveness and we believe that all of the stakeholders, the government at all levels and the private sector, have to work together on making this entire system more competitive. We encourage people—you, yourselves and everybody I talk to on this matter—to stop pointing fingers at each other and work together toward solutions.

Thank you very much. I will take questions about this or cross-border shopping as a whole.

Mr Sutherland: Maybe this is jumping too far too quickly since you said it is a preliminary study, but if you look at the information in the graphs you presented and some of the comments you made, it would not paint a very good picture for my independent retailers in my home town. In terms of sourcing, in terms of what you are saying, larger distribution networks are trying to accommodate for the small economies of scale. Are we going to be able to deal with this problem and still offer some hope for small retailers across the province?

Mr Buchanan: I think so. I think there are some things that retailers, large and small—I know that some of them are looking at such things as direct sourcing where it is possible to lower their costs. But in reality, small and independent retailers are by and large going to have higher costs of goods than the people who buy in much larger volume. That suggests to me that these retailers need to find another way to compete, because it is more difficult to be competitive on a price basis if you start with a higher cost base. That is why we were indicating that this whole area of service-based competition, or non-price competition, is a very important one, particularly for the independent retailer.

The Chair: I am afraid that I am going to have to adjourn the meeting because we have to go to the House for a vote. But I would like to thank you for your presentation. I believe it has been very helpful to us.

This meeting is adjourned, hopefully until this afternoon at 3:30 when we will review the report of Anne Anderson and hopefully we will have the Treasurer here at 4:30. Thank you.

The committee recessed at 1157.

AFTERNOON SITTING

The committee resumed at 1645.

BUDGET PROCESS

The Chair: I see we have a quorum. Let's move on. I think we may not want to waste a minute.

HONOURABLE FLOYD LAUGHREN

The Chair: We are fortunate this afternoon to have the Treasurer of Ontario before the committee to speak to about the budget and this committee's role in the future budgetary process. Welcome, Mr Laughren.

Hon Mr Laughren: Thank you, Mr Chairman. I appreciate the invitation and the organizational skills of Todd Becker in getting us all together here.

I realize that the budget has engendered considerable interest even beyond these halls. I understand that the deficit aspect of it is the one thing that has stimulated a lot of the interest. I would hope that members would look beyond the deficit number and look into the composition of the deficit and exactly what got us to that level in terms of spending, how we got to such a high number. Because let's not try and minimize the number. It is a very large number, \$9.7 billion. I do understand that.

I do not want to make a speech here today—I think members would probably rather have an exchange—but I did ask the committee, through the budget and through a letter to the Chairman, to think about ways of opening up the budget process. Before members from the third party came in and suggest that full public hearings on this budget are the only way to do that, what I really meant by that letter to the Chair and the comment in the budget document itself was that the entire budget is shrouded in secrecy and, being new at it, I was taken aback by some of the process.

It seems to me that there are other jurisdictions that are more open in the process of budget-making and involvement. We would certainly be interested in hearing the views of an all-party committee, because if we just do it in Treasury we may miss some ideas that others would have in terms of opening up the process. We will be trying to see what other jurisdictions are doing on this too. Later in May I am going to Washington for a couple of days, and one of the things I am going to be looking at is how they are opening up the process there.

Nothing has been determined. This is not some kind of issue that has been decided and we just want you to go through the motions. As a matter of fact, I see this committee as being part of that process of opening up. At least, I hope it will be. I would be very interested in hearing your views on how we can open it up, what role you can have in it and what role anybody else can have in it. That is not just an idle wish. I really hope we can do something about that, because I think we could end up with better budgets and certainly a better process.

I hasten to add that we have already established the Fair Tax Commission, which is going to be giving us advice on that aspect of considerations, but that does not pre-empt the work of this committee to make recommendations on how to open up the entire process.

I would be pleased to try and answer any questions or have a dialogue with members of the committee.

Mr Carr: One of the questions I have deals with the promises that were made during the election campaign. You may be familiar with the Agenda for People, where the costing is laid out. I understand you were even part of the process that did that. When you talked about the bottom line there, we see that you talked about a two-year cost of \$2.3 billion. This was what the election was virtually run on and in fact, I guess, won on. Then when we end up with the wonderful first budget, the numbers are such that the \$2.3 billion over two years, in terms of the deficit alone, works out to be about \$17 billion or \$18 billion.

My question is very simple: Why the discrepancy? Why did things change so much from August of last year, during an election campaign, to April of this year? The program, I might add, was fairly well costed out—education, first year, \$500 million, and so on—then all of a sudden it went completely out of whack and we have this big deficit. My question very simply is: What do you say to the people of Ontario who may have voted for you for this and ended up with a \$10-billion deficit?

Hon Mr Laughren: First of all, I think that being from Oakville you are a very wise person and that you would not make an assumption that the election was run or won solely on the Agenda for People. It is much more complex than that. I think you would agree it was a pretty complex mix that caused people to vote the way they did. However, this was the major platform on which the New Democrats ran in the election, so I am not backing away from that at all.

I think that you would understand, as well, from statements we have already made, that the implementation of that Agenda for People would simply not be possible given the way the economy collapsed in 1990 and still is in serious difficulty for most of 1991. I am sure you would be in a very responsible way up there giving us proper what-for if we were to implement what is in the Agenda for People, given the limited means we have this year. I think you would not want a higher deficit than \$9.7 billion.

Mr Carr: No, thanks, it is high enough. But I guess what I am getting at is that the numbers in terms of revenue change a little bit. I guess when you look at it, you had projected out the \$44 billion and this year we are going to be at \$43 billion, so we lost a billion there, but what I am talking more specifically about is the cost of programs, and you had some very definite increases in costs here.

You have almost a billion in the education funding aspect of it, so you did try to lay them out. I guess what I am concerned about is the fact that when people look at this, that is why we get a little cynical about politicians, because during an election campaign we say something or we admit something and we do not cost it out.

In fact, very specifically in this document, I think the Premier in the attached press release talked about the fact that he wanted to not be like the Liberals. In fact he went through there and he said, "We estimate the two-year cost

to be about \$1.8 billion." So that is why I think the public becomes very cynical, because during an election campaign you say it is going to cost \$1.8 billion and then we look at a rise in expenditures that was dramatic.

Notwithstanding that—sure, some of the social services costs went up—it does not account for the tremendous discrepancy from \$1.8 billion to virtually \$18 billion. That is what we will end up with in just deficit alone over a two-year period when you put them together. So people thought they were voting for some very worthwhile programs that were only going to cost \$1.8 billion and then virtually within a year we get that. I think that is why I am concerned, because, as you know, our big feeling is that if the—

Hon Mr Laughren: Wait a minute. You are implying that the Agenda for People is in this deficit of \$9.7—

Mr B. Ward: A point of order, Mr Chairman: Before we continue, we are on very limited time. I am hoping that we could follow what we have done in the past and have one question per person.

Mr Carr: Why do we not do it by time limit by caucus? Do you want to divide it up by three?

The Chair: That is a good idea.

Mr Carr: How much time do we have?

Mr B. Ward: We think the bells are going to ring, probably.

Mr Tilson: You can have my time.

Mr Carr: Okay.

Mr B. Ward: Just so that we allow everyone an opportunity to participate, Mr Chairman.

The Chair: You can wrap up your comment and then have the question.

Mr Carr: Do I get only one question? Because if I know how much, I might jump to a better question.

The Chair: Jump to your other question.

Mr Carr: Okay, cut off all the—

Hon Mr Laughren: I am sorry, but I really did want to know whether you are implying that—

[Interruption]

The Chair: Could you close the door, please?

Mr Carr: I never get a chance to speak with you and I finally get a chance—

Hon Mr Laughren: No, I am serious. I thought you were implying that the Agenda for People that was costed out at \$1 billion point something, suddenly had ballooned to \$18 billion over two years because of the two-year deficit, the accumulation of the two years of deficit.

Mr Carr: No, what I was getting at is that basically what people voted for—the NDP said it was going to come in with all these programs, and essentially, when you look at this, it says it is not going to cost us all that much, \$1.8 billion. And then whammo, when we get to the actual facts, that is where the cynicism comes from, the fact that one thing happens before or during an election period, and then something happens afterwards.

But since my time limit is going to be fairly short here, maybe I could jump to something else, the actual debt-

servicing cost. I had the fine staff at research project out the cost of what the actual deficit would be, and our original deficit before we came in last year at \$38.8 billion. We were looking at a cost of \$362 million a month, \$83 million a week, close to \$12 million a day or almost \$500,000 an hour; that is what it cost in servicing the debt last year.

With it going up dramatically, I wanted to see, in light of the fact that we are now probably going to lose our triple A credit rating and there have been some projections that we are literally looking at paying, just in debt—not paying for education or health care costs—\$1 million an hour to service the debt in this province, I was just wondering what your projections are over the next period of time on the actual servicing of the debt.

Hon Mr Laughren: I actually have those numbers here. I have them only as percentages of GDP and of revenue, but you wanted absolute dollars, did you?

Mr Carr: Yes. We had broken it down on a cost-per-month basis, and that was based on servicing the \$4.3 billion debt in 1990-91. So basically, if we double the debt—we are not quite going to do that—you would be looking at almost \$1 million an hour just to service the debt, and that is not to pay for any of the programs. That would be \$1 million an hour, 24 hours a day, 7 days a week, 365 days of the year. I just wanted to see what your calculations are. We might not hit quite the million, but I wanted to see where you were at.

Hon Mr Laughren: Also, I have not done nor asked anybody to do the breakdown in that kind of micro way. I can remember a few years ago, when I was sitting where you are, figuring out the costs of our health care system per hour, per day and so forth. When you do it that way, it does look like a very high number. This is the cost of the interest on the debt per year—

Mr Carr: You can break it down. Even if you have got a yearly basis, obviously we can do it.

Hon Mr Laughren: For 1991-92, it is \$5 billion; 1992-93 is \$5.7 billion; 1993-94 is \$6.4 billion and 1994-95 is \$7 billion. Of course, the reason that goes up is because there is a deficit each year so that the debt is higher, even though the absolute number on the deficit is going down each year. Do you follow me?

Mr Carr: Yes.

Hon Mr Laughren: The cumulative debt goes up, therefore the interest on it climbs each year as well. I have not broken it down the way you have.

Mr Carr: I take it this was based on us having a triple A credit rating and so on. So we could probably say right off the bat that once that slides, these numbers go up; whatever percentage, but they will go up.

Hon Mr Laughren: Mr Carr, be very careful, because I was making that assumption too, and then I looked at what happened the last time Ontario lost its triple A credit rating, which was in 1985, following 42 years of another government.

Mr Tilson: That was during the accord.

Hon Mr Laughren: Yes, but the decision was made before there was much damage we could do. Anyway,

at happened, and I do not know whether you can see or not—this is the Ontario 10-year yields. If you look 1985, when the credit rating was downgraded, the actual yields continued to go down. That was because interest rates were going down.

Mr Carr: Interest rates were going down and they would go down again.

10

Hon Mr Laughren: Do not get me wrong. I am not trying to say it was because the credit rating went down that the interest rate went down. My only point is that now interest rates are also on the way down. So it is difficult. I would be careful about making an assumption that if we lose the credit rating—I still hope we will not, but we would very well do that—and it does go down, that does not necessarily mean that the rate, the cost of our borrowing, will necessarily go up, because it did not historically. When we got the triple A credit rating back in 1988 once again, it did not seem to make a big difference.

There is no question that when you lose your credit rating you pay more than you otherwise would, but I would caution as well that I suspect—and there are others who know this aspect of the business a lot better than I—to a certain extent that has already been discounted by the bond sellers, to a certain extent it has already been anticipated that we may lose our credit rating or that the deficit is high and that it is being reflected already, perhaps.

Mr Carr: When you look at what the Agenda for People says, which would be \$1.8 billion, what in fact the—

The Chair: Mr Carr, I have to cut you off there and give the Liberals their opportunity now for 13 minutes.

Mr Phillips: Oh, is it a time thing rather than a question? Okay.

The Chair: That was the suggestion.

Mr Phillips: Just on that subject, you remember the Treasury officials provided us with the numbers. They said if we go from triple A to double A it costs us \$5 million per billion worth of borrowing. That is the number to go from triple A to double A.

Hon Mr Laughren: I do not think that is correct.

Mr Phillips: That is what the Treasury document said. You will find it in Hansard.

Hon Mr Laughren: I do not think that is correct, but go ahead.

Mr Phillips: Believe me, that is what the document said.

Hon Mr Laughren: That is not my recollection of the number, but go ahead, I did not mean to interrupt you.

Mr Phillips: It is \$2.5 million if it drops from triple A to double A plus. If it drops to double A—

Hon Mr Laughren: I am sorry, I misunderstood you.

Mr Phillips: That is exactly what I said. That comes from the Treasury numbers. So I am just saying, if you borrow—we now guarantee Hydro's money, so I think that is in the same thing—if in fact we have got to go to the market for \$10 billion and if in fact we go from triple A to double A, I do think it is going to cost us \$5 million per

billion, \$50 million, I think. That is the Treasury number. That was not my comment.

Hon Mr Laughren: But you are also making an assumption of dropping two notches rather than one.

Mr Phillips: Yes. They are saying it drops from triple A to double A.

Hon Mr Laughren: Okay. I do not know why you are making that assumption, though.

Mr Phillips: We will see.

Just so I am clear on the numbers—and by the way, without sounding too concerned about it, I can just tell you our feedback on it and it comes in the context I think of concern about Quebec, concern about the federal situation, concern about the federal deficit. The budget cannot be viewed in isolation.

I will just tell you, I am really quite worried about it—not just the \$9.7 billion. It is kind of the next five or six years. I know we will have a little sparring match and you will say things are fine, but I am personally very worried about this on top of everything else.

You know the numbers. I think there are 250,000 more people unemployed now than there were six months ago.

Hon Mr Laughren: Well, a year ago.

Mr Phillips: Right? I know these numbers.

Hon Mr Laughren: Yes.

Mr Phillips: That is about 1,600 more people every day, seven days a week. The unemployment numbers come out tomorrow. I hope they are good. I would not bank on it, but I hope they are good finally.

My big concern is just who is going to create the jobs. Hopefully, if we have got time, we can get into some of the numbers in here, but just to make sure I have the right—because this is what the job creators—not the business community, the job creators—are looking at.

I believe that your consolidated deficits on page 55 are going to \$7.8 billion in 1994, and I go back to page 50, where you use the 90% nominal growth in gross domestic product. I believe that just to get to the \$7.8-billion deficit there are \$5 billion of new taxes built into that.

So, as we look down the road, first, the very best deficit is \$7.8 billion, and that assumes another \$5 billion of new taxes that are not there right now. We look a little bit further down the road and it is a question I asked you in the House today—I think all your future projections are quite heroic, to use your word, in terms of the economy: In your very best look during good economic times, you are looking at 3% to 4% real growth down the road if I am not mistaken. In spite of all that, we will still be looking at a deficit of at least \$5 billion if you use the same terminology you use right now.

And this is what the bond raters will look at in the next few weeks; it will not be just the \$9.7 billion, it will be that the deficit goes on and on and on. Even to hit those deficit numbers, you assume, I think, \$5 billion of new taxes and then when we finally get the thing balanced and operating we still have at least a \$5-billion annual deficit on capital.

Honestly, the people who are looking at where they are going to invest to create jobs are asking, "Is this the place I

am going to invest?" For all of us who are hoping that the unemployment numbers will turn around, you have your job creation plan in here, but I believe, Treasurer, most of it is really holding jobs except for the \$700 million for two years for the creation of 18,000 jobs.

I do not mean to be overly pessimistic, but my question is: As the job creation community is looking at those numbers, can you give us any help in terms of what I can say to people who are looking to create some jobs? Why should they be here?

Hon Mr Laughren: I appreciate your comments, and I do not find much fault with what you are saying. I would make a couple of cautions. I think your interpretation of those out-year numbers in the entire fiscal plan is not unfair. I just put a caution in that scenario where you have so many new revenues, expenditures going up so much and the deficit resulting from it. That is one way of putting it together as a package. You could alter the revenues, you could alter the expenditures, and so we will see.

Those are quite conservative forecasting numbers. One of the problems that some people have had was that they are perhaps too conservative and the deficit stays too high in those years. My own sense, and I can remember agonizing over these numbers, was that I would rather put numbers in there that people might find unacceptably high but that we felt we could achieve. Now, you can snort at that, or some people could snort at that, but I want to tell you, even those numbers—

Mr Carr: These numbers?

Hon Mr Laughren: No, I am talking about these numbers.

It is aggressive in one sense in terms of potentially new revenues, but at the same time we think we can achieve those numbers and it does give us a reduction in the deficit every year after this year. So I think that is terribly important.

In terms of this year's deficit—you talked about only the anti-recession package being new and so forth; there was the employee wage protection, I think it is almost \$200 million, \$175 million, and some other things as well—basically, there is no question about it, this is a recession-driven deficit. It is mainly maintaining existing programs and some reallocations; I think we reallocated about \$700 million and took programs out and put new ones in and so forth, to put our stamp on some things. But basically it is a maintenance budget that maintains existing programs. If you look at that \$6.7-billion increase in the deficit, if you can just put your mind around what we would have had to do to get it to stay at \$3 billion, it would be absolutely incredible, the cuts we would have had to make, and I think there would have been outrage across this province. Some people do not like the deficit, I understand that, but if you were to compare the outrage at the deficit with the outrage that I too would personally feel over cutting \$6.7-billion worth of programs—

Mr Phillips: No one suggested that, though, did they?

Hon Mr Laughren: No, I am not saying you are suggesting that. I am saying that when we look at the deficit I hope people will look at the composition of it. That is the

point I am trying to make, that it was not a wild spending spree that led to this deficit. I hope members understand that.

1710

Mr Phillips: My question was on the investment in job creation. Remember, I was saying that for the people who are looking where they are going to create jobs, this is one jurisdiction they can do it and they can do it elsewhere in Canada. They are going to look not just at the \$9 billion, because if that were a temporary blip, people would say, "We can live with that," but they will look at the five-year plan. What do we say to those people?

Hon Mr Laughren: What is in the deficit numbers that would make Ontario a bad place in which to invest? It seems to me that we have some tremendous assets here. I am not saying this as an act of boosterism or anything like that, but look how well placed we are geographically, look at our labour force, our management skills, our mix of social programs and quality of life. Those are all things that are important. Look at our health care system. It is the envy of virtually everybody south of the border. That is where you are talking about investment being directed other than here. It is still a great place to invest.

It is true that in order to pay for this deficit it is going to mean those new revenue sources will be required, if that is what you are getting at. Absolutely. I think to pretend otherwise, or not to have maintained the existing programs the way they are now, would have been a serious mistake as we head into the recovery.

It is not a vigorous recovery, as you will see by those numbers, not like 10 years ago which was a much more vigorous recovery. That is why the numbers go down slowly. Unemployment stays naggingly high, which means it is hard to get the deficit down much more dramatically than that without cutting out capital programs, for example. I do not think we want to do that. That is a signal that we are investing in Ontario as a government, and people will judge us by the kind of place it is to live and work, and I do not think we should depreciate that.

Mr Phillips: I am not. I think everybody knows—

The Chair: I am sorry, Mr Phillips, I am going to have to stop you there.

Mr Phillips: How much time have I got?

The Chair: You just ran over by 40 seconds. Mr Ward.

Mr B. Ward: I will pass to Mr Jamison.

Mr Jamison: I want to welcome you here, Treasurer. In your statements you talked clearly about trying to tackle the recession and shorten it, of course, by acting the way you have and I certainly applaud you for it. I find it rather odd that the Treasurer would be brought here to the committee to talk about the budget when 130 members of the Legislature cannot debate that in the House as we hear the bells ring. I think it is very important that we understand that very party is here today asking questions, trying to understand the budget at this committee, yet will not allow debate on the floor of the House. I find that to be confusing, to say the least, considering the democracy we try to keep in place in this House.

Having said that, I know our time is limited and we would be going back to the House shortly. I would like to pose one question, if you could explain, because it is my understanding that a number of factors on their own, with us standing still as a government, would have left us with a rather high deficit in itself. Being proactive in trying to shorten the recession, expenditures were made over and over that. I wonder if you could expand on that.

Hon Mr Laughren: I will stand to be corrected on this, but I think if we had taken no initiatives at all, just the aged pat, total maintenance of existing programs, the deficit would still have been in the neighbourhood of between \$7 billion and \$8 billion. Am I exaggerating? Was it about right? Somewhere in that neighbourhood anyway. If there is a more precise number, I could get it for you. That is why I was trying to emphasize the fact that it is not a spending-spree deficit.

I must say, though, that I regretted Mr Carr being cut off because of time. I really did want to hear his views. Perhaps when the budget debate continues in the House, Mr Carr, I would really be interested in hearing your views.

Mr Carr: Or if I meet you on the street, we can talk.

Hon Mr Laughren: You leave my social life out of this.

Mr B. Ward: Mr Chairman, I recognize that we have less than nine minutes to get upstairs. I would like to—

The Chair: I was speculating on terminating the questions in about three minutes.

Mr B. Ward: Because of the pace we have to utilize because of the Conservative actions to get upstairs, I move that this meeting be adjourned.

The Chair: Unfortunately, there is no debate on that. All in favour? All opposed? There are four opposed. Carried. We are adjourned until 10 o'clock Thursday next.

The committee adjourned at 1717.

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Cross-border shopping

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 16 May 1991

The committee met at 1008 in committee room 1.

ELECTION OF VICE-CHAIR

The Chair: Good morning. We have a quorum. We begin. The first order of business is the resignation of Mr. Hansen as Vice-Chair, which precipitates an election for Vice-Chair. Are there any nominations?

Mr Hansen: I nominate Kimble Sutherland for Vice-Chair.

The Chair: Are there any other nominations? Seeing no other nominations, then congratulations, Mr Sutherland. Now, you do not get 10 minutes for a speech.

Mr Sutherland: I only said thank you.

CROSS-BORDER SHOPPING

The Chair: That is good. This morning we are here to consider the recommendations and the draft report on cross-border shopping, with specific interest in having recommendations brought forward in the text of the report. I thought that first we might want to discuss the language of the report, if there is anything the committee members feel has been left out, or put in that is not relevant. We could perhaps deal with the text of the report and then move to the specific recommendations. Is that how we want to proceed?

Mr Sutherland: Just initially looking over the report I did not see a great deal, but maybe we could still leave it as a draft—the language—and maybe spend a little more time there and maybe have some discussion about some actual recommendations.

Before we do that, can I ask one other question? In terms of normal committee procedure, in terms of writing the report, are we going to do that in camera or are we going to do that in an open format on the record?

The Chair: That is up to the committee to decide. We had the entire pre-budget consultation open to the public. I think this is something that maybe the Chair should have some guidance on from the committee. How would you like to proceed, in camera or open to the public?

Mr Hansen: Monte, did you lose your voice completely?

Mr Kwinter: I would see no reason why it should not be open.

The Chair: Are there any objections to its being open? Seeing none, then this will be open to the public. Mr Sutherland, do you want to proceed?

Mr Sutherland: I guess we should look at some recommendations. I was wondering whether maybe the two other parties had any recommendations they wanted to make specifically at this time so we can give them some consideration.

Mr Kwinter: Mr Chairman, if I could just comment, it would seem to me that most of the causes of the problem are really systemic, and unless we are going to totally

restructure the province or the country, which is not practical, what we can do most of all is just comment on why it is happening.

We are not going to change the fact that there are 270 million people living south of us and we are 27 million people. We are not going to change the fact that, for a variety of reasons and because of that fact, we have this huge land mass that has to be financed and provided for by a relatively small number of people. We cannot change that.

So it would seem to me that what we should be doing is spelling out those systemic problems and pointing out why there is a discrepancy. Where we should be making recommendations is where we really can relieve the problem or help the problem, even though we will not solve the problem.

It would seem to me that one of them, the one we could do something about, is to have the provincial sales tax collected at the border. It would also seem that one of the other things we could do is to make sure that there is greater enforcement at the border as a deterrent, not to people shopping—I do not think you are going to do that—but to people smuggling, this sort of underground economy that takes place because of that. Also, we can address the problems of taxes, where we do have some control. This recent 1.7 cents per litre tax, which again is not going to solve the problem but just exacerbates the problem, just gives one more incentive for people to go over and buy gasoline.

So it seems to me that we should be addressing our recommendations to those things we can actually do something about. Again, I say it is not going to solve the problem, but it is certainly going to help maybe diminish the problem. Things like Sunday shopping—I do not think Sunday shopping is the cause of cross-border shopping, but there is no question in my mind that the availability of shopping on Sunday is just one more factor that gives people the impetus to go across the border.

So it would be my feeling that those are the things we should be addressing in our recommendations.

Mr Jamison: I believe we should be approaching the subject on a report based on the contributing factors, whether they be in our control or whether they not be in our control. Quite simply, it is a very large and complicated problem. I think most of us would agree there is not a simple solution to it. But we should be identifying where the problems are and identifying them clearly and at least making the decisions on what can be done. That certainly rests with this government and other governments, because the role is played municipally, provincially and federally and there are contributing factors in all cases. To thoroughly recognize and sort out the problem so that it is understandable, I think, is what this committee should be doing; making

it understandable to someone who would read this committee's report. We should be looking at all the areas that have been brought forward.

Mr Sutherland: If I can pick up on that, we do have some recommendations, and I have copies of our recommendations here. Maybe we could have them distributed and then go over them. We will give some explanations to some of the recommendations we have given and then some comment. Then maybe we can have some more discussion and hopefully get more ideas out of that.

The Chair: For discussion, pursuant to what Mr Jamison and Mr Kwinter have just said and having read through the first draft of the report, is there any systemic analysis the committee would like to add to the report, or any sections they would like to be expanded?

Mr J. Wilson: I would just like to make a point. Perhaps it is because I am a substitution for the committee, but I would be most comfortable if we heard the NDP's recommendations and then adjourned and picked it up again this afternoon after I have had an opportunity to discuss it with my colleagues who are not here at the moment. I have agreement from Mr Kwinter on that.

So if Mr Sutherland would like to add anything briefly in terms of explanation to the recommendations that have been put forward, that would be most helpful if we could adjourn and have some time to fully read the report.

Mr Sutherland: Okay. I think Mr Kwinter's opening comments and some of his recommendations have been incorporated in the recommendations here. Certainly I want to say that we certainly feel there are no magic solutions here. There is no one thing that is going to stop the problem, but there is a combination of things we can do to help ameliorate the situation and regain some of the vibrancy in our border communities that has been lost because of the ever-growing tide.

We heard from many presenters, particularly the mayors of the municipalities, who asked for a trilevel task force on the issue of cross-border shopping. That is our first recommendation: that the province participate in that in terms of working together with the other levels of government and with those interested parties in communities to try to get a better handle on the situation and what all the causes are.

Beyond that, we had several different ministries here to make comment on how their ministry is monitoring the situation, what the impact is and some of the organizations that are under their jurisdiction. We believe we do not have all the data we need on this issue, and I think that was the consensus from many different groups that presented. We believe the individual ministries should be continuing to gather more data and work with some of the local organizations. MITT has been working with Shop Ontario and other organizations like that, to have them come forward.

They are just a couple of the initial, general recommendations.

One or two are under federal policies. We are certainly of the belief that the federal government has a great deal of responsibility in this issue. Their high interest rate policy, the perception created by the free trade agreement and the

implementation of the GST have all accelerated the cross-border shopping problem.

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It is very evident by the statistics of where the increases started: first in 1987, after the agreement was first negotiated and the perception that prices were going to be cheaper, and then after the agreement was actually implemented and gone into place. We have seen a significant increase there. We have seen a significant increase again since 1 January with the implementation of the Goods and Services Tax, and even the statistics that were passed around this morning, the March statistics, indicate that while there is a little decline in the increase from February, it is still a substantial increase over March of last year.

At the same time, if we listen to the comments from the federal government and particularly the federal Minister of Revenue, he has been kind of tossing his hands up in the air and saying, "It is not our problem and there is not a great deal we can do."

The two key recommendations—and we have certainly heard these before, but they do play a large role—is that the interest rate differential with the United States be reduced to more traditional levels. We have seen some decline in the federal interest rates, but we have not seen the corresponding decline in the dollar. I think that is attributable to the fact that the United States recently had a cut in its interest rates, so the differential is still high.

That is making it difficult for the second recommendation to come through, for the dollar to be allowed to decline to a more realistic level. As to what that level actually should be, we have heard many different recommendations when the different groups were here for the pre-budget consultations. I believe the Royal Bank used a figure of 81-82 cents, and a few other organizations used that as a more realistic level for the Canadian dollar right now. There is no doubt that a decline in the dollar will have an impact in terms of what the differences are in the prices once the exchange is taken into account.

In the other area, and this is again picking up on what Mr Kwinter was saying earlier about border controls, many presenters have said that they wanted stricter border controls and that the collection of the provincial sales tax would certainly have an impact. So our number one recommendation is that the federal government collect the provincial sales tax at all border crossings and that the necessary negotiations between the provincial Ministry of Revenue and the federal Department of National Revenue occur to allow that to happen.

The federal government has said it is not willing to do that on certain occasions. Our provincial minister is in Ottawa again today, meeting with the federal minister to request that they collect the PST. We certainly hope they are going to be more willing to listen. We heard a couple of comments from the federal minister last week that indicated there might be a little softening on the position, but still no definite statements.

Our second recommendation ties in to that: that if, for whatever reasons, they feel they are not willing to collect the provincial sales tax at the border, then the Ontario revenue officials be permitted to review custom forms,

imilar to the article that we received from John Wintering about what goes on in New York, Pennsylvania and California.

I found it rather ironic, Mr Chair. At this time I just want to note that the congressman from Buffalo was concerned that the federal government might collect the PST at the border; he thought that would be a violation of the free trade agreement. I would be interested in understanding how the state of New York is able, then, to review the federal customs forms and collect PST that way and that it not be a violation of the free trade agreement in the same way. So I think there are some options there for collection of the provincial sales tax.

Recommendation 3: We had some information presented to us about the PACE pilot project out in BC, which is more or less the fast-track lane for Canadian shoppers returning. I think we got a general consensus from the organizations before us that they did not think that was acceptable, but that the other problem is, because of the long, long lineups at the borders due to so many Canadian shoppers going across, that it is really discouraging American tourists from coming in.

We feel that if fast-track lanes are going to be established, it should be solely for American tourists coming in. When you look at it, the Americans are just implementing the auto pass system at one of the borders, I believe it is the Niagara Falls one. I see no reason why we, in the federal government, could not implement a similar thing in turn, an auto pass for Americans coming through, to speed them through, because the double impact of this cross-border shopping was brought forward to us by the presenters in terms of the fact that it is not only Canadians going over there, but Americans are not coming here. That is having a double impact on retailers in the communities at the border area, particularly on the area of tourism, which I know many people are concerned about. I know Mr Wilson is extremely concerned as the Tory critic for that area.

Recommendation 4: More customs staff should now be hired for greater enforcement. We heard presentations on the fact that part of the problem is because customs officials let people go through. They do not have enough staff to check on a more consistent basis, to be a little more stringent in terms of enforcement. We heard a couple of recommendations for more customs staff, and we would certainly concur with that recommendation.

We also had some discussion about the government working with the border states to collect provincial sales tax on those items that are state-exempt products coming into Ontario. We heard the Minister of Revenue indicate that we did have a deal with one of the states—I believe that was Ohio—but that they are still working and negotiating with some of the other states. We would certainly encourage that process to continue.

Moving into an area in terms of what we can do: retailing and marketing. I think there is some disagreement. We heard some presenters who said our retailers can match any other retailers anywhere in North America. We also heard some other comments that our retailers needed to be a little more aggressive in what they are doing, responding

in kind to some of the tactics that those stores, malls and merchandisers across the border are doing to attract Canadian shoppers. We want to recommend that Ontario retailers be more aggressive in their marketing, through use of such techniques as the discount card, which we saw we had for Canadians. I think they should maybe try something like that for Americans to come back over.

More selective advertising in terms of advertising those things that are competitive: We have had evidence here that there are many areas in foodstuffs and all kinds of other products and merchandise that we are competitive in, and that we need to have more selective advertising promoting those things.

Then the last one, putting American prices in ads: We do not really have any hard data on what the impact is, but we heard information—I do not want to get this wrong, but I believe it was Goodyear or Goodrich, one of those two, down in St Catharines. When they put their ads in the paper for selling their product, they put in their price and they put in the American price, so people clearly know how competitive they are. We think those things should continue.

Recommendation 2 is to try to deal with the issue of what we heard from many of the surveys. The ones conducted by John Winter and the other ones in the communities indicated that two of the main products that are attracting people across the border are gasoline and milk. What we are hoping for here is that the parties would come together, the milk marketing board, the grocery distributors, grocery stores, local retailers, gas companies and their dealers, and engage in a joint marketing strategy, possibly involving coupons in exchange for milk and gasoline. For example—this is following up on a marketing technique that other companies use right now—if you went into a gas station and you bought \$20 worth of gas, you would get a coupon off for milk in the local store. When you go into the local grocery store and buy so much, a purchase of milk plus a certain dollar value, you would get a coupon off on your gasoline purchase in the area. I also think there is a great deal of room for other retailers to get involved with that, if people were willing to set a level—you buy this much product in my store, you get the coupons on the milk and gasoline.

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There is potential for the other areas where marketing boards are involved to participate with this. There is some indication that the Ministry of Agriculture and Food would be willing to facilitate this type of discussion to get that type of program off the ground, so there is one idea.

Recommendation 3: Again, there were differences of opinion on how good service is, staff training, those types of things. The John Winters survey indicated that is also a factor, and while not the most important, it is a factor: People feel they are getting friendlier service and the staff are better trained and have better product knowledge in the United States. We heard from the shoe retailers, who have a very comprehensive program on this, but certainly the evidence before us indicates that not everyone is doing a significant job in staff training and product knowledge, and in the service.

Moving on to sourcing and distribution: We had the presentation from Ernst and Young, and they certainly identified what the patterns are in three areas, but even when they were here, they agreed that this could not be seen as a comprehensive analysis of how all wholesaling and distribution works. It seems to be the consensus that we need some more analysis on that issue. We know there are certain inherent factors, like some of the ones Mr Kwinter mentioned, economies of scale and that. But there still seems to be more information needed, and maybe there are some new areas that could be explored in terms of reducing some of the extra clauses that seem to be apparent there.

At the same time, we want to recommend that this committee not support increased foreign sourcing for products that are manufactured in Canada. We do not feel that, in the long run, is going to help us. We had some recommendations that we should go that way. I believe even Mr Winter was suggesting that to retailers. But the simple reality—and I think this ties in nicely in bringing the issue of cross-border shopping home to everyone, everywhere in the province—is that if that occurs, then we are going to see plant closures in other areas. The retailers may be a bit better off, but the plant closures in other areas are not going to help any other community, so we want to emphasize that, while alternative forms of sourcing should be examined, we are very concerned if it is going to be foreign sources.

The issue of taxation certainly came up. We heard lots of recommendations and we heard some very simplistic analysis that simply lowering taxes is going to solve the problem. We heard other issues related to taxation, and I think we would agree that there are some valid concerns. I think the party and the government agree with that, and that is one of the reasons we have the Fair Tax Commission to examine some of those issues, particularly in terms of examining the question of property taxes.

Our first recommendation is that the Fair Tax Commission be encouraged to speed up its examination of the property tax base to fund municipal services. Obviously, if we look at some of the comparisons, we note that municipal taxes are significantly higher in Canadian communities versus American. We had one study that indicated, I believe, Fort Frances/International Falls. We certainly believe we have a responsibility to look at that issue and to see whether there are ways that can be dealt with.

That kind of ties into recommendation 2, that the provincial government continue discussions with the municipalities over issues of responsibility and funding of services. Then coming out of that are some of the recommendations that were put in the Hopcroft report, the report from the Association of Municipalities of Ontario, dealing with certain issues about who should fund what programs. Some of the discussions out of that and the resulting decisions certainly may have an impact in terms of municipal taxes and in terms of having an impact on the base retail price, because it certainly seems that in the marketing that the American retailers are working off of the retail base price, and strictly the price, not necessarily the quality or

standard of product. So the outcome of some of those discussions may have some impact on the municipalities.

Our third recommendation, and this recommendation has come forward before and is a very difficult one, is that a trilevel task force be established to examine the issue of duplication of services, division of responsibilities with the purpose of making all levels of government more efficient. There certainly is a perception out there that there is a lot of duplication of services, both between the feds and the provinces, and also between the provinces and the municipalities.

If some clear task force could be established to examine this issue, to find out where the areas of duplication of services are and then have some decisions made on who is going to look after those areas, then maybe the overall cost of government could be somewhat reduced. The viability of that last recommendation depends, because you have to have a willingness on the part of the parties and that may tie with the first one just in terms of the task force in cross-border shopping.

The final issue, and I think one of the most important issues, is the question of education. Clearly, while people are going over for cheaper prices, it seems evident they do not realize what the impact of cross-border shopping is on their local communities, on the province as a whole. To cite a personal example here, I was speaking to a group of high school students in my riding last Friday. We got into the issue of cross-border shopping and I asked them how many had participated and played a minor athletic sport, whether baseball, hockey, soccer, whatever, and 75% of them put up their hands. Then I asked them how many of them had a local retailer pay for their uniforms and just about all of that 75% put up their hands again. That type of message needs to be brought home to people.

In my community, as well, we have several fund-raising campaigns. We just got over a successful fund-raising campaign for the local hospital that many retailers gave a lot for. They have a community complex development going on that the local businesses and people are supporting a great deal. The issue has to get home that in some ways the cost are definitely higher here, but we have a much better quality of life. We have to get that message out to people that you cannot necessarily have it both ways. If you want to have the benefits and enjoy them, then there is a certain price that has to be paid for that.

So our recommendation is that the government of Ontario engage in a comprehensive education campaign to demonstrate the impact of cross-border shopping and the benefits of shopping in Ontario. This campaign should be conducted in conjunction with business and labour education campaigns of their own members similar to what the Ontario Teachers' Federation has done.

Just to add to that, our feeling is that you could tell the individual labour groups, the individual business groups and the other groups, "Okay, go ahead and do your campaign," such as the OTF did. I certainly want to congratulate them for taking such an initiative, but the fact is they have to be tied in, they have to be co-ordinated and if they are not going on at the same time, then they are going to have less of an impact overall.

For example, if someone is a member of the Ontario Teachers' Federation and their husband works in a Canadian Auto Workers plant and they both get it at the same rate at their place of work and then they also get it in terms of the advertising they see in their local papers and on TV, the message is going to start to come home about the impact it is and what the benefits are of being in Ontario.

I know there were some comments made to the effect that you might have a negative backlash in terms of making people more aware of the problem, but I think we feel that if the campaign is done effectively and tries to retain a sensitive focus, there will certainly be benefits from the education.

Those are basically the recommendations we are putting forward. As I said at the beginning, I do not think anyone should see any of these ideas as being the magic solution to the problem. I think we all agree that it is a very complex problem in that we are not going to be able to solve this thing overnight or with one easy approach, but I think a combination of these things will be effective. We have tried to deal with the issue in terms of some short-term ideas, some longer-term ideas, looking in terms of who is responsible. I think it is important to say that everyone is responsible. Certainly the federal government has a great deal of responsibility, the province has a responsibility, municipalities and, ultimately, everyone in the province of Ontario. I will leave it at that for now.

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Mr Kwinter: I would like to make a couple of comments. One of the problems is that it is all well and good to state some of these things, but they are not terribly practical. We talked about the federal policies. The favourite thing—and we all do it, myself included—is to try to blame the federal government because of their high interest rates and the high value of the Canadian dollar, as if the government has decided that no matter what happens, that what is going to happen. They have decided, on the one hand; and the other leads from that: they are keeping the interest rates high and the reason—I do not agree with them—is they feel that the number one problem facing our economy is inflation.

The interest rates are kept high to dampen inflation, and then they wipe out any advantages of that by bringing in the GST and doing some of these other things. But what is happening is that, unless you have an interest rate that is sufficiently high to attract capital—we have a problem in this country because we have a shortage of capital—you have another problem. So they have made a decision, and as I say, I do not agree with it. I think we could tolerate a little bit more inflation and get the economy going, but the point I am trying to make is that they have made a decision that the interest rate should be at a level that will attract capital and keep inflation under control.

The dollar is not in the hands of the government; that is in the hands of the market. The only way the government can, in any way, affect the value of the dollar is to buy dollars on the market to keep it up or sell them to lower it, and that has problems. But what we have is a five-point

differential between the Canadian dollar and the American dollar. Even if the interest rates are coming down, they are coming down in the States as well, and that differential is still there. Why would people who have overnight money anywhere in the world put it in the United States, where they are getting 7% or 8%, when they can bring it here and get 11% or 12%? So they bring it here because they earn that additional interest, and by bringing it here, they have to buy Canadian dollars, which keeps the value of the Canadian dollar up.

There is no question that if the value went down, there would be some benefits. There would be benefits to our exporters, but there would be negative impacts on our importers. For everything that you sell cheaper, it means, if you buy it outside the country, it is going to cost you more money. Because we are so heavily dependent and our trade balance is just about balanced—we have slight surplus, but we buy an incredible amount of goods, which means we are going to pay more for it, which again is going to drive up the cost of inflation.

So, it is a very nice thing to do. I admit, I do it because it is a nice target to do it, to condemn the government for their high interest rates and the high dollar. Notwithstanding what you may think, not everybody is stupid. If it were a simple solution, believe me, a government that is as low as they are in the polls would do it, but there are problems. As I say, politically it makes good sense to attack it, but economically, there are many, many problems. My concern is that it makes good political sense to bash them, but it is not a practical solution because if you do what you say you want to do, you create as many problems as you solve. You just transfer them from one side of the ledger sheet over to the other, and that is a problem I have.

When you talk about sourcing and distribution, that the committee does not support increased foreign sourcing for products that, I assume it says, could be manufactured, that gets to the heart of what has become the great buzzword and that is competitiveness. If you are going to have an artificially controlled economy, you are doomed to failure. If you cannot get competitive, you are not going to last. I have told this story so many times that it is getting—

The Chair: You are getting hoarse.

Mr Kwinter: No, it is getting kind of boring. But the whole de Havilland issue is centred right on that statement. Boeing is the largest aircraft company in the world, it is the most profitable, and if it could make money building airplanes in Toronto, believe me, it would be making money. Why would they sell it? The problem is that they build five airplanes a month and lose \$1 million on every airplane they build. If they went to build six, they found they would be losing even more money. If they were building this airplane in the United States, they could build three a month and make money, and as a result, they are not going to build them here. They are getting rid of the company.

The new consortium, Alenia of Italy and Aérospatiale of France, is saying: "We're going to buy it, but we're sure not going to buy it on the same basis that it's operating now, because why should we lose money when Boeing has

been losing money? We will buy it on the condition that we can make it competitive." In order to make it competitive, it means they have to put in some dramatic changes—cut the workforce almost in half and outsource a lot of the materials.

That is just another example of the problem we have. You cannot artificially protect an industry in a global economy. You cannot do it with marketing boards and you cannot do it with companies, because if you do, you save some jobs, but in the long run it is doomed to failure. It cannot possibly survive, because of your intraglobal economy. You have GATT, you have the free trade agreement and again, politically you can bash it all you want, but you are not going to change it because that is what is happening. We have turned into a global economy.

You cannot suddenly put out a recommendation that we do not support foreign sourcing. If you are in business, you buy the cheapest place you can get it. If you are a consumer, you buy the cheapest product at the quality you want. You can do all the ads you want, but the people in any society feel they are paying their taxes, they are paying their share. The answer is if this Fair Tax Commission can ever do anything about it, but right now we are paying more taxes per capita in Ontario than our counterparts in the United States, so how do you expect to sell to an Ontario consumer the idea that he is paying more tax, but on top of that we have another hidden tax and he must pay more for the product because, if he does not, we are going to be in trouble? They are saying: "I'm paying more tax than my neighbour. At least give me the chance to try to relieve some of that financial hardship by letting me buy something as cheaply as I can. If you can supply it to me cheaply in Ontario, of course I'll buy it here. But if you can't, how dare you tell me I can't go and buy where I can buy it the cheapest."

As I say, it sounds great in an advertisement, but you do a true test and ask somebody, "If you can save 50% on your gas, are you going to pay that extra premium just to say that you bought it in Ontario?" You may get the odd person who feels strongly enough about it, but most of them will not do it, and the reason is they say, "I am paying more than my share." They are really upset by the taxes, which is the problem we have.

That is the problem. I do not want to feel that there is no solution, but I think that we issue a report that has a lot of platitudes in it and says we should do this and that, it is not going to be very practical and we would do this committee a disservice. I think we have to take a realistic look at it. There is no question that we have a campaign—it may help—but to suggest that it is a solution is, I think, a little naïve.

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Mr Sutherland: If I may respond, as I said both at the beginning and the end of my comments, no one recommendation here is going to be the magical solution, and education is certainly only part of it.

In terms of your comments about our recommendations on federal policies and about interest rates and the dollar and the buying of the dollar, we certainly heard your

comments that you made during the presentations. If not here, we certainly heard them in the pre-budget consultations in terms of some of the explanations on interest rates. I think the feeling of many presenters, both in the pre-budget consultations and some of them here, is that, sure, the federal government wants to keep inflation under control. The question is to what extent do you do that and what degree of flexibility do you have there?

For example—these are only hypothetical numbers—does a 13% interest rate mean that you have a 90% impact, whatever the 90% is, versus a 15% interest rate is 100% impact? I am sorry. I cannot put this in proper economic terms, but I think you get a sense in terms of where the flexibility is and at what point do you go too far. I think there is a general feeling that the federal government's policy has gone a bit too far, in terms of its impact on the economy and slowing it down, and that there is some flexibility there in terms of easing off a little bit on interest rates, still having a control factor on inflation but without totally stagnating the economy.

I think it is important to reinforce that type of recommendation, that there is some flexibility. It does not have to be totally letting the bottom fall out of the Canadian dollar. As I said in my remarks, if I remember correctly, even an organization as well respected as the Royal Bank suggested that the dollar should be four to five cents lower than it is now. At least, they did that in the pre-budget consultations.

While the points you have made on that issue, on how circumstances work, are quite accurate, there is still some consensus out there that there is room for the federal government to move and that this will have an impact. I think that needs to be reiterated. That is why we have made that recommendation.

In terms of your comments on the foreign sourcing, there is no doubt that the issue of competitiveness, restructuring, that is all going on. Those issues have to be dealt with in terms of us producing products in the province of Ontario in terms of being competitive in the outside world. They have got to be addressed, and that is far broader than what we are here to deal with in terms of cross-border shopping. It is a very, very crucial issue.

At the same time, though, you mentioned questions of quality products. We have certainly seen some evidence that we do make quality products in this province and that part of the attraction of going across the border again is that a lot of second-rate products are being discounted there in the border communities and that type of thing. That is an education campaign in and of itself to ensure that people are actually getting the exact same quality of product across the border at what they think is a far cheaper price. I think Mr Hansen on several occasions noted specific examples on that issue.

As I say, in terms of dealing with the issue of competitiveness, that has to be dealt with, but I do not think people should see that somehow we are going to keep this province vibrant and have some sustainable prosperity by solely going outside the province and the country to solve their cross-border shopping difficulties.

Mrs Sullivan: I am quite interested in the report that the government members of the committee have put before us. I think it does not go far enough to address many of the issues that have been put before us. I see its major limitation in that it does not take into account the players in this issue. I want to go back to discuss this a little further.

I think Mr Kwinter is more than correct when he indicates that in fact the cross-border shopping issue is a symptom of competitiveness problems in Ontario. It is symptomatic of problems that are occurring in virtually every sector. It is highly visible, and one of the reasons it is visible is that it reaches into so many homes and so many neighbourhoods. Whether we like it or not, the issues relating to the cross-border shopping are price—perceived or real differences in price—product choice and service opportunities. There are triggers that we know about, that we have heard about and that everybody has mentioned, including cigarettes, liquor and beer, gasoline and dairy products.

The players in this are not limited to one area. At the government level, it is federal, provincial and municipal who have to contribute in some way to reaching solutions, or at least putting forward ideas for solutions. Then, of course, in business, it is manufacturers, distributors and retailers who are involved. If we want to talk about business issues, there are all sorts of aspects of that that we can talk about. We can talk about labour productivity, tax levels, input costs, market size and so on, but I do not believe that is what this committee should be addressing. This committee should be looking at recommendations specific to the provincial sector and where the province can fit into a definition of coming to terms with the reality of an issue that is facing many communities across the province.

In fact, what this report does is really only address one place where the province itself, through its own actions, can contribute in any way to a solution, and that proposal is that we go to a meeting with the feds. You go through all of your recommendations and you will discover that is the only proposal for provincial action.

I am saying it is not adequate, and there are all sorts of areas where this committee could indeed make recommendations that would affect some of the issues that are the rationale for the cross-border shopping problem. The price issue—why not make a recommendation saying that all of the new provincial taxes brought in on the last budget be rescinded? Why not talk about creative tax rebate programs for border communities? Why not talk about graduated gas tax? Why not talk about Sunday shopping? Why not talk about the issues that matter, in terms of provincial participation and involvement in coming to terms with decision-making? You have not addressed these issues in this report and I cannot see where you are doing anything other than asking other people to deal with these issues.

On the agricultural questions; on the milk prices and dairy product prices, which we know are a clear component of the problem, very strong recommendations have been put before the committee. They have also been said elsewhere, that Ontario, through the Minister of Agriculture and Food, and through the Premier, who is also Minister of Intergovernmental Affairs, must be standing very

firm at the table and demanding more quotas for Ontario producers. There is nothing here about that. We really have to be talking in a more direct and rational way about what the place of Ontario is in all of this, and not just say, "Well, yes, we should participate in a trilevel meeting."

Mr J. Wilson: I, too, want to comment on the NDP's recommendations, in particular your second section which deals with federal policies, and to pick up what Mr Kwinter said and Mr Sutherland's response at that time. Mr Sutherland, the problem still remains that you are speaking as if the federal government can peg interest rates in some magic way at will. I think what you fail to address in this report is also what Mrs Sullivan said, that you fail to mention the provincial government's role in interest rates.

The biggest borrowers and the biggest criminals in Canada, when it comes to us having to sustain high interest rates, are the provincial governments and the federal government. Your party's plan to borrow another \$35 billion-plus over the next three to four years will continue to put enormous pressure in capital markets. In order to fill the void that you will leave in the capital markets, which is that you are sucking out another \$35 billion to go into this operation of the government, that money has to be attracted back to Canada. Interest rates, therefore, are high to attract the money back into our country to fill the void, back into the international capital markets.

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The problem the federal government really fails to admit is that any degree of control it might have is taken away every time a provincial government sucks more money out of the markets, because interest rates have to go up to attract the capital back so that other people can have money to borrow. Much of that new capital then is foreign. The Japanese and the Germans—in particular, a lot of it was West Germany's money. When unification came along they took a lot of their money back to put it into eastern Germany, hence world interest rates went up. Canada was severely affected by that. But the foreign lenders want 11%, 12%, 13% or they will put their money elsewhere and there will not be money in Canada for business or for government to borrow.

As simply as I can possibly put it, your government fails either to see that or to understand even the simplest of economic arguments. To be really intellectually honest in your recommendations, echoing what Mrs Sullivan said, you really should talk about that. You should talk about the disservice you are doing to all of Canada through your massive borrowing and you should come to grips in your party with the reality of economics. We just fail to see that in this report or any comments that are made in the House.

Second—and I am sure your minister will get an earful meeting with the federal revenue minister today in the sense of the federal government's position—I notice there is a line in the report that talks about harmonization of the GST and the provincial sales tax, but your recommendations fail to address the fact that they want harmonization and that the best way to collect both taxes efficiently, without having two sets of auditors, two sets of collectors and two sets of forms is to have the Ontario government roll

into the GST. It is here. You are not going to change it, as Mr Kwinter says, by playing politics with it. The most efficient thing you can do for small business people and individuals in Ontario, and to help fight the cross-border shopping problem, is to harmonize systems and you should be talking about that in your border patrol section.

As I say, you need a whole section on provincial policies. This thing is great political pap, but it does not even begin to touch the problem. I think Mrs Sullivan hit it exactly right. The comment first came to mind when I read your recommendations, that you are setting up another task force and you are agreeing to meet with other levels of government. That is great, but the problem is extremely serious right now. You are the government. You have obligations you have failed to address to date. We will be presenting a minority report with this because we just have too many problems with it. I could not begin to address them all right now. Perhaps my colleague Mr Sterling would say a few words.

Mr Sutherland: If I could respond to several of the comments made, particularly Mrs Sullivan's comment that there is only one recommendation in here that involves the province and that is solely to get us to a meeting. I want to remind the members of both opposition parties that the Premier has said he is willing to participate in a task force. The federal government will not even commit to that, or it took a long time to commit to wanting to be a member of a task force to really deal with these problems.

The comments coming from the federal Minister of National Revenue have basically been, "It's not our problem." There is no question that it is everyone's problem. It is the problem of the provincial, the federal and the municipal governments, as Mrs Sullivan has said, and that needs to be looked at and it needs everyone at the table to work on that.

We have also put recommendations in here in terms of negotiations with the municipalities. If we want to get into the issue of why there are a lot of added costs and the question of taxation and tie this into the question of deficit, let's look at two areas, the issue that occurred under the previous administration, a great deal of downloading on to municipalities, and a greater burden on the municipal tax base. That was done and it was not done without a lot of discussion or negotiation with those municipalities.

At the same time, you have the federal government here practically trying to rewrite Confederation through its arbitrary and unilateral action in terms of capping transfer payments, in terms of capping some of its transfers in the other areas, particularly the Canada assistance plan. The federal government has done that from a rather arbitrary and unilateral—it did not sit down and negotiate a new arrangement with the provinces to do that.

Basically, what the federal government has done in two senses is the following: it is attempting to rewrite how our framework operates and it is also putting the burden on to the provinces. Quite simply, they are passing the burden on to the provinces. There is still a need to provide levels of service out there. So Mr Wilson can say how the provincial budget is going to add to high interest rates because we are going to have to borrow more, but the end result is the

fact that that was through arbitrary action of the federal government.

We are not saying we are going to be arbitrary; we want to be there at the table participating, working towards co-operative solutions. We have not seemed to see the federal government wanting to do that. In terms of some of the comments the member for Halton Centre made about negotiating more quota, we are certainly willing to give that serious consideration as a recommendation. We have not seen any formal written recommendations come to the table from the other two parties. We do not believe that we have all the answers and that we covered everything there. I think those issues need to be addressed.

In terms of Mr Wilson's comments about harmonizing the GST, again, here is a rather arbitrary area, where the federal government has moved into an area that has traditionally been an area of provincial jurisdiction in terms of many areas of sales tax it has moved in there and brought in the GST. He talks about impact on small businesses, not only in terms of the GST—just the fact that it is there—but in terms of how the GST was established in such a complex fashion that in one case six doughnuts are taxable and the others are not. It could have been implemented far, far more simply in terms of just, you know, in a variety store 85% of what you sell is GST and you remit your GST on that basis; far, far easier for small businesses, rather than all this money they have had to spend redoing cash registers, retraining staff, trying to figure it out, repricing, all the associated costs that are there.

In terms of how we are going to finance services, and some of the comments that have been made here in terms of saying we are running up this large deficit, the federal government has decided to do that unilaterally and arbitrarily. What the Premier has been saying, and what we are saying here again and in one of the recommendations, is that that issue needs to be set down, it needs to be discussed between all levels of government, and it needs to be negotiated.

So I do not think we are absconding our responsibility. In these recommendations, we point out what other people have said and reflected what they said. The federal government has a great deal of responsibility. We as a province have the responsibility in the provincial government, and we want to be there participating, but we are not going to do this in an arbitrary fashion. There are already occasions in the House where you accused us of not consulting with people, and you cannot have it both ways. You say at one time we are not consulting; when we suggest we do consult then you are criticizing us on that basis as well.

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Ms M. Ward: I just want to make a couple of comments in response to Mr Wilson's comments. The clerk gave us last week a paper on possible effects of the Ontario deficit on interest rates and the value of the dollar, and you mentioned you were a substitute. I am sure the clerk could provide you with that. I just might review some of the comments in there since that seemed to be the main point of your comments.

The consensus seems to be that the impact of the deflation on interest rates and the value of the dollar will be minimal. George Vasic of DRI Canada suggests that the Ontario deficit is a relatively small addition to the national deficit. The impact on interest rates should be negligible; this is a quote from Mr McCracken, or the clerk's—what has given us as his response, as he points out that the Bank of Canada reduced the interest rates shortly after the Budget.

Peter Spiro, head of economic forecasting at Ontario Hydro, agreed that the size of the deficit should have little effect on interest rates.

Mr J. Wilson: I just have a comment on that. You have not actually borrowed the money yet. That is why there is no effect on the market yet.

Ms M. Ward: Oh, no. This is predictions.

Mr J. Wilson: You have announced it. Check your credit rating warnings and I think you will see the jitters of the market.

Ms M. Ward: I think you should wait until your turn to respond. Anyway, I was suggesting that this is available to you from the clerk. Impact on interest rates should be negligible; I told you that. The perception of foreign bondholders could be important. While they do not normally pay attention to Canada, they are likely to do so. At any time, the clerk could find no one who was saying that the deficit was going to have an effect on interest rates.

The other thing I wanted to comment on was Mr Kwinter's comments earlier about the federal policies. I think I would agree with pretty well everything you said, Mr Kwinter. We do not think we can do much about that, however, but I think we have to continue to point out the problem. I got the impression that you would agree inflation is not the big bogymen. I think a lot of organizations that appeared before us when we were doing the pre-budget consultations had the same impression, and it is what I have read in a lot of articles; also that the federal government has gone too far in supposedly fighting inflation, and that has pushed us into the recession that we are in now. I do not disagree with you, but I think you would agree, and you might comment on this, that they have simply gone too far. You did make the comment, I think, that you did not agree with the policy. I think that is why it is important for us to point this out, the effect that the high interest rates are having. We are not denying those relationships that you are pointing out there.

The other thing I want to say is that I do not think this is Ontario's problem alone. It is a problem all across Canada. That does not mean that Ontario should not try to do what it can about it, but the cross-border shopping problem is a problem in New Brunswick, it is a problem in British Columbia, it is a problem all across Canada. The federal government has a responsibility to do something about it so.

The other thing about the foreign sourcing that was discussed—again, I think the cross-border shopping is just part of a much larger problem of foreign ownership of Canada, of not being able to buy Canadian products. It is a specific part of it. When I go out to shop, that is something

that bothers me a great deal, and I know other people who feel the same way. Not enough people feel the same way, that we should be buying Canadian products. So the cross-border shopping thing is part of a much larger problem of lack of Canadian-owned industry.

Mrs Sullivan: Could you expand on that? I do not understand your reasoning here.

Ms M. Ward: On the Canadian ownership?

Mrs Sullivan: Yes.

Ms M. Ward: Basically I am, I guess, an economic nationalist. This is really a federal issue, I suppose. We used to have the FIRA, Foreign Investment Review Agency. We now have Investment Canada. FIRA was always rather toothless during its whole life. Just before it was killed, one of the last things it reviewed was the takeover by a California company of an Ontario or Canadian nursing home chain and that was allowed to proceed. But FIRA did do some investigation, some review, and it did disallow a few things. Since Investment Canada came into being, apparently it has never denied a takeover.

Takeovers do not contribute any economic benefit. If someone has money to invest, we could gain from them setting up a new business, a new service, but takeovers do not accomplish anything. You probably recall back in the early 1980s when the name of the game was "who is buying who." That drove up interest rates in the early 1980s and we had a recession then.

It is the ability to go out and purchase Canadian-made products, Canadian services and buy those from a Canadian firm—and you asked me to link those two with the foreign sourcing. There you could be talking not simply about Canadian-made products but, rather than importing something into Canada, getting it from a distributor in the United States. I think that is what you are talking about there.

But the link between cross-border shopping and Canadian nationalism, to me, all belongs in the same state of mind, you might say. Someone who is not going across the border shopping or has a preference for buying in Canada in terms of buying from a Canadian retailer is also going to want, wherever possible, to be able to buy Canadian products and use Canadian services.

Did you want to respond, Mrs Sullivan?

The Chair: She has her name down in order. Mr Sterling is next.

Mr Sterling: I am sorry that I have not been able to be here more frequently on this issue, but I have heard some of the evidence and read some of the material.

First of all, I want to congratulate the NDP caucus in their recommendations. It is the first document I have seen that has not blamed the free trade agreement for all the ills of the province of Ontario and I think it is an acknowledgement by the NDP caucus that the free trade agreement has nothing to do with the present malaise that we have in our economy. I want to thank them for that.

The part I find disheartening about all of the recommendations is that they do not recognize the problem that is just so glaring throughout these hearings and, quite frankly, the hearings that we are having next door, the

Progressive Conservative caucus task force on the budget. We do not compete in this province with anybody else in the world, let alone New York state and Michigan. Competition, competitiveness, is the problem we are facing with the cross-border shopping issue and with every other problem we have with our economy.

If you listen to the pleas of the people who are involved in the business community, they are genuinely frightened about the flight of capital, the flight of business from this province. These are people who have never before been involved in the political movement. These are not Tories; these are not Liberals; these are not NDP people. Some of them voted for all three parties in the last election. They are people who are absolutely frightened of what is occurring in this province, and they are saying to that committee that the problem is the spending of governments; not only the NDP government but the former Liberal government and our federal Tory government. They are saying that all governments are spending too much money, they are asking for too much in taxes and we in this province can no longer compete any more with other people.

Having said that and listening to that, I think this committee was one of the most frightening committees I have sat on in terms of the information that was brought it by other people, because it made me realize how far out of whack our system has got in comparison with our neighbouring communities. The other part that is coming forward so succinctly in terms of our business community and the people who are talking about our recession problem, the people who are talking about our monetary policies, our fiscal policies, etc etc, is that we have no choice. We have very few, limited options to deal with this problem at all, and the biggest negative that the people are talking to us about is the fact that we are foisting this off on our kids in the future. That is their general concern.

In looking then at all of what this report does, and forming a task force: well, big deal. Every politician, every cabinet minister, you know, when you have not got anything else to do, form a task force to look at the problem. That is fine and dandy and I think it is a positive step to form task forces and to talk about problems and that kind of thing, but perhaps the most important thing that the NDP members of this committee might do is step out on the limb just a little bit and say to their government, "Look, you should really consider doing something. Take one little step to make us more competitive in this province. Why don't you combine the GST and the PST? Why don't you do that?"

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By saying that to the Treasurer or saying that to the Premier, they do not have to follow the recommendations of this committee. They can say no. But that would help some of our businesses, not only in terms of what would happen at the border in terms of collection of these taxes, but it would help our businesses in this province run their businesses in a more efficient way and deal with a little less red tape.

Now, I know that when you are in government you get marching orders from your ministers as to what you can

include and what you cannot include or whatever. But we have also found that in other parliamentary jurisdictions, in our federal Parliament for instance, the economic affairs committee does come up with reports that are not necessarily always favourable and totally in line with what the government of the day's policies might or might not be. And quite frankly, that committee has gained a lot of credibility in the community as to what it says, because it does not always agree with what the present day finance minister might or might not say.

Therefore, I say that while Bob Rae said in the last election that there was going to be a revolution over the GST, we have not seen that revolution or that rebellion take place on the part of this Premier. I do not think anybody believed there was going to be a revolution anyway, and I do not think Bob Rae could have had a revolution even if he had wanted a revolution. Therefore I just say that of all the things that come out of this committee, maybe the Treasurer of this province would be inclined to hang his hat on this committee's report and say: "Well, you know, a committee of the Legislature, which included our members, said we should combine the GST and the PST or we should seriously look at it, and therefore I'm going to blame our decision to do that—in spite of what we said during the election—on the committee that was made up of Conservatives and Liberals and NDP members." Therefore, he can spread the blame around a little bit on us as opposition parties. Quite frankly, I do not care whether he spreads that blame on us in terms of saying that they are in favour of the GST and all that kind of stuff that evolves out of it politically. But if we go ahead with this report, quite frankly, we will not give the Treasurer or the Premier the opportunity to hang their hats on anything to make any real changes. It means a whole bunch of different moves that we have to take over the next four, five, 10 years or whatever time it is going to take for people to realize that we have to become more competitive.

It is so evident with anybody who has a payroll. It is evident by the trucks that are around Queen's Park today. It is so evident to everybody that government has to start making some moves to get out of business in any way it can in terms of regulation to make our people more competitive. It is so obvious that we have to make it easier for business to deal with government, and that is what the combination of PST and GST might be. I think that is one positive move that this committee could make in terms of dealing with it.

There are some of the other suggestions I would agree with. In terms of collecting the PST at the border, I personally feel they should do that right away, forget about the federal task force and say, "We are going to go in and do that right now."

The Chair: Can you clarify "we"?

Mr Sterling: We, the government of Ontario.

The Chair: That cannot be done. It cannot be a unilateral decision, because the land around the bridges where the taxes are collected is controlled, operated and run by the federal government. That is the sole jurisdictional responsibility of the federal government.

Mr Sterling: And they have refused to allow the provincial government to do that, have they?

The Chair: Exactly.

Mr Sterling: When did they refuse them?

The Chair: They have been refusing all along. Hopefully the meetings that are taking place today between Melnyk and Wark-Martyn, the Minister of Revenue—

Mr J. Wilson: They are not refusing, as I understand it is simply that they are trying to negotiate with the provincial government to harmonize the system. It is part of the negotiation. I do not recall having read anything in the media where the minister, Otto Jelinek, has absolutely refused that, so that is an unfair statement at this point.

Mr Sterling: I think the Minister of Revenue should stand up and say, "We are going to collect it," or "We would like to collect it. We will pay for collecting it. We will do it. We will have our people there," etc. That is my view. I think that is a positive step that this government could take. When Ms Wark-Martyn was in front of this committee, she did not even know what the implications of doing that might be. I found that extremely disturbing, that she had no idea even of what was going over.

Notwithstanding that, I believe those two would be the most practical things that could come out of this committee. All the rest of the recommendations are nice, but they are not really significant in terms of dealing with the problem. Competitiveness is what you have to get at, and if we can make a recommendation that would encourage our government—and I am talking about the Bob Rae government when I say "our government"—to do something in terms of combining the GST and the PST, this committee could have achieved more than any other committee in this Legislature has ever done in terms of really effecting a change which would help cross-border shopping or help people stay in Ontario, because then businesses would be able to reduce their prices because they would have a cost reduction in running their businesses.

I would say, though, that I do not expect the NDP members of the committee would follow that kind of advice, and if that was not part of the report, we would of course be putting in some other recommendations.

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Mr Jamison: Many of the opposition speakers here in committee have talked about competitiveness, and I know through my own experience in talking with many of the manufacturers of this province—and many of these manufacturers were fully in support of the free trade agreement and promoted it that way—those same manufacturers today are disheartened, to say the least, over one particular issue. I do not think their mindset has changed, but they are disappointed beyond belief that the level of the Canadian dollar will not allow them to be competitive at this point. They have made it very clear to me in a number of sectors that this has basically hog-tied them in making advances that they thought might be there under the agreement. When you take that into consideration and you talk about competitiveness—because these are people who supported your party federally, Mr Sterling, and thought that potential deal might well affect them in a very robust

way—they are of different opinions. I have met with the steel industry. I have talked with them and that is their major, number one concern. Manufacturers beyond that, that is their number one concern.

Of course, that affects the price of their product here also to some extent. If you were to ask me, personally, about our potential of recovery, our potential of economic soundness, I think many of the presenters we listened to, both recently and in the finance and pre-budget hearings, were indicating very clearly that if there is a singular issue that is affecting business in a very dramatic way at this point, and manufacturing specifically, it is that.

I would like someone to explain really why it is so important to hold up the dollar. With the exception of a very small portion of people I have talked to, everyone is saying, "We don't understand why, given the economics, given the situation that we are in, given the predicament that all of us are experiencing, the dollar is remaining at that type of level and possibly creeping up a little higher."

It is extremely important to understand that there are players in trying to handle this particular problem of cross-border shopping. There are levels of government that all play some type of role in the overall picture. If you are asking us to make up for the deficiency of the federal government, I do not think that is fair at all. The deficiency in this area is, number one, the federal government should do its job, and that is do its job at the border. Quite simply, they are not doing it. Even their own job—not our PST, their job. That is a major part of this problem, that there seems to be no willingness to have that happen, which talks about probably another agenda that maybe this side of the committee really sees more clearly than other sides.

Mr Kwinter: I just wanted to respond to the economic nationalist and her statement. There is a certain naïveté expressed. There is a feeling, and I have to say this, that if we followed that logic we would really be a Third World country. Who do you think owns Toyota? Who do you think owns the CAMI operation in Ingersoll? Who do you think owns the Ford plant in Oakville? Who do you think owns the plant in Oshawa? Who do you think owns the Spruce Falls pulp and paper mill up in Kapuskasing that is in great trouble? It is owned by Kimberly-Clark and the New York Times, and because they have decided they want out, we have a major problem that the government is trying to address.

To say that we cannot have these foreign takeovers is to say we want to go back to an agrarian society; we do not want to be able to compete in the international field. It makes absolutely no sense. Without that foreign ownership and foreign investment we cannot prosper. Canada does not have the economic base or the capital pool. As a matter of fact, the Ministry of Industry, Trade and Technology has offices all over the world trying to encourage exactly that kind of thing—companies to come into Canada, invest money, create economic activity.

So the answer is not ownership. Many of the companies we have in this country, whether Dupont, CIL, many of the huge companies that provide us with our economic vitality, are not owned. So ownership is not the problem. It is exactly the same situation that we have right now with

de Havilland. It is ludicrous that we are fighting over the fact that a French and an Italian company are trying to buy an American company in Toronto. De Havilland is not owned by a Canadian company, it is owned by Boeing which is a US company.

What we have to do—and this is the crux of the issue—is to establish an environment that encourages foreign investment, that kind of activity. That is where the jobs are. When Caterpillar pulls out of Brampton and says, “We are going back to the United States,” everybody yells and screams and says, “My God, what are you doing, you can’t do that.” You can’t have it both ways; you can’t say, “You can’t leave.” On the other hand you are saying, “You can’t come in.”

What you have to do—and this is the crux of the competitiveness issue—capital is fluid whether it is the board of directors of Boeing in Seattle, Washington, saying: “We have put hundreds of millions of dollars into that plant in Downsview. We cannot make any money, we are leaving because there is restrictive legislation, restrictive tax measures that do not make any sense for us to be there. We are going to leave.”

This issue was missed on this gas guzzler tax. To stand up in the House and say only 1% of the cars being built in Ontario are affected does not address the problem that 80% of the product built in Ontario is shipped somewhere else. If they feel it is not a friendly environment, they say, “We are going to move out.” That is what we have to do. We have to make sure that we provide an environment that allows economic activity to take place.

That is exactly the same thing that happens with cross-border shopping. If people could buy products in Ontario that were economical, that would allow them to enjoy a quality of life that they want, of course they would buy it here. Why would they possibly go to a place like Buffalo? There is no great attraction in Buffalo other than the cost. This is exactly what happens to manufacturers. If they cannot make money in Ontario they say: “Why do we have to be here? We can go somewhere else where we can make money, where people will want us.” This is what happens when you go to Buffalo. You have companies that are saying: “They give us tax holidays, they give us land for nothing, they give us all of these incentives. Why should we not go there?”

That is what we have to address. We have to address why we are not competitive. You cannot just say that we are not competitive, because we are nationalistic and we expect that this will happen. You have to be able to say, “Are we going to be a player or are we not going to be a player?” If we are not going to be a player, then move over and let someone else who is. That is what the problem is and what we, as a committee, have to do is take a look and see why it is that we are not competitive, what are we doing that is impacting on our competitiveness.

Some of these things we are not going to be able to solve, because we have a quality of life that we want to have. That costs; it costs you some of your competitiveness. The trick is that we have to restructure what we are doing in this country, to say, “Yes, we want to have these

things but by doing that we are going to give up something else.”

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That gets me to the one last thing I want to talk about, and that is: You keep arguing about—and you will hear more about this—Mexico with its cheap labour, as if Mexico were a competitor. Mexico is not a competitor for Canada. I mean, there is no restriction right now for anybody who wants to move their operation to Mexico. A few companies have done it, but very, very few.

Our chief competitors are Japan and Germany, both of whom are high-wage countries. Wages in Germany and Japan, on a pro rata basis, are higher than they are in Canada. How come they are so competitive? The reason they are competitive is their productivity. They are paying the money, but they are getting a lot more work out of the money they are paying, and that is where we are falling down. The reason for that is not that our workers are loafing, but it is that they do not have the technical skills and they have not got the technical facility to make them competitive. That is what we have to address, and until we address it, everything else is commentary.

As I said before, you are just rearranging the deck chairs on the Titanic. You are not doing anything that is going to affect our ability to compete, and unless we can compete we are not going to survive at a standard of living that we have got now. I have said this before; Canada has been called a Third World country with delusions of grandeur. You just cannot rest on your laurels. You have got to get out there. We are into a new ball game and you have got to be able to play it, which means you have got to really become competitive.

It is exactly the same thing in cross-border shopping. Talk all you want, but until you can produce products that can be sold on a competitive basis, people will go and buy where they can buy it at the best price. No amount of legislation, no amount of advertising, no amount of artificial barriers are going to stop people from doing that. They will turn into smugglers, they will turn to anything that they want, but they will use their economic interests to do what they are going to do. That is the end of my sermon.

The Chair: I am not sure how that is going to relate directly to cross-border shopping for this report. Mrs Sullivan.

Mrs Sullivan: I wanted to respond to a couple of statements and positions taken by Ms Ward and Mr Jamison.

I will not repeat the view expressed by Mr Kwinter relating to the ownership of the industrial and manufacturing base, which has been stated. I think it is very important for members of the committee to understand that in today’s business world and in today’s manufacturing world, there is no border in terms of production of product, in terms of sourcing of product. Indeed, if there is a border, what occurs is that in fact we become less and less competitive and, as we are already seeing on the cross-border shopping issue, people will make other decisions about where to put their money.

Mr Kwinter has talked about capital investment being fluid. There are no borders in capital investment, and countries around the world are all seeking the same few

lars for capital investment that we are seeking in this vince.

I think that as we are looking at economic growth, at I hear Ms Ward saying is in fact less of an economic nationalism argument than an argument that cross-border shopping is a patriotic issue. I think what we are seeing, not all from the practice and second from the opinion polls, is that people are saying that the patriotic issue no longer matters. There may have been a time when it did matter, but it certainly no longer matters.

I also was interested when she said that you cannot buy Canadian products and it is annoying that there are not products that are made in Canada by Canadian companies. Part of her search for whatever products she is looking for. In fact, what we are probably seeing and have been seeing, and it is important to see, is increasing specialization in the products which are produced here. That is where, in fact, on an international basis we will be more competitive. The specialization, whether it is in products of manufactured products or of high-tech services, is absolutely vital to our economic future.

We will not, for instance, see a continuing textile industry, probably, that will ever be competitive with some of the lower-priced products that are produced in America, where the raw materials are cheaper and the market size and opportunity are far higher. I think what you are going to have to expect more and more to see is less of a nationalistic border on certain products unless you are willing to pay for it, and then you get into the specialty goods that are produced at the higher end of the line.

I was also interested in your suggestion that takeovers in fact do not contribute to the economy. I suggest to you that in fact there is a benefit to some of the takeovers which have occurred, and that is the consolidation of operations that do make us more competitive. I suggest that when you are saying that takeovers do not add to the economy, what you may be talking about are the kinds of leveraged buyouts and so on that have occurred not only in Canada but more especially in the United States recently. If takeovers by themselves are not a deterrent to economic prosperity. I think we have to be cautious about how we use these arguments.

I also wanted to talk about the Canadian dollar question that Mr Jamison raised, because in the cross-border shopping issue we have to remember, in making the argumentation about the value of the Canadian dollar, that the arguments that are put forward by industry about the value of the dollar relate to opportunities for export and the price of goods in an export market. We are not talking about the effect of the Canadian dollar on goods that are brought in. So I think you may want to rethink some of those questions.

Mr Sterling mentioned collecting the RST at the border. I still think the New Democratic caucus here should consider how to approach the collection of the retail sales tax at the border, but collecting the tax is only one part of the issue. The other part of the issue is the application of that tax on the same product lines that the GST and the customs duties are collected on, and that is something we have not heard as part of your discussions or your recommendations here. I think that must be dealt with, otherwise

there will in fact be no opportunity for federal-provincial co-operation in those areas.

Mr Sutherland: If I may come to the defence of Ms Ward here in terms of some of the comments, I myself, being a naïve young individual, do not understand all of Canadian economic history. But if I may—and Mr Wise-man, I know you have studied a lot of history—it would seem to me that the point that was being made is the following.

If you look at our Canadian economic history since the Second World War, we established a branch plant economy after the war and I think that was a very wise choice. We did not have the capital and we did not have all the expertise and the knowledge. The problem is, though, that it seems like we kept the branch plant economy right into the 1980s and to some degree into the 1990s. Somewhere along the line, through the government taking a proactive approach, more Canadian-owned industries and businesses should have been developing and there should have been more larger Canadian-based companies. Mrs Sullivan said that borders are not important. They are not, but where their base comes from helps to build those companies and provide the solid footing for a lot of them. I do not think we have enough of them. We have a few at the very top. The large ones that we can think of, Olympia and York and a few others, can simply compete with anybody in the world because of their size and their operations.

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But even though our population base is low, I think if you look around, somehow that did not occur. I think that is the concern that Mrs Ward is expressing, that we could be competitive if that type of process had been occurring in the 1950s and 1960s. That comes back to the question of some of the comments Mr Kwinter said, and in relation to what Mr Sterling and Mr Wilson have been saying.

“Competitiveness” is the key word, the buzzword, but the definition of competitiveness is one that really interests me, because it seems to mean different things to different people. I get a sense, certainly when Mr Stockwell is here, that competitiveness is simply lowering taxes and you are automatically going to competitive. I think that is a very naïve approach.

If you look at the examples that Mr Kwinter gave of who we have to compete with—Japan, West Germany, Sweden—their governments have all been proactive in terms of helping to develop their internal structures, helping to develop their internal resources, with maybe not government ownership of those resources but some nationalistic owning of those resources as the companies develop and evolve and go into international corporations.

I do not think that has happened here as much. It is a rather sad commentary that we are just getting now to a skills development policy for this province. I am not sure if we have a national skills development policy yet, but here we are in 1990 and these other countries have had these skills development policies and training policies for many years. We have been missing the boat on that.

So when we look at the issue of competitiveness, I think it is very important that we define what we mean by competitiveness. Prices are obviously some of the concerns.

You know, it is interesting. Mr Sterling is not here now, but he talked about harmonizing the GST as the great saviour of small business. Mr Sterling's idea is: "Yes, we will increase it by 7% first, with the implementation of the GST, then we harmonize it with the PST. They save 2% and businesses are coming out ahead." That logic does not make a lot of sense to me either.

He talked about deficits. He talked about provincial deficit, federal deficit, the government, and then he said we are not doing anything about it.

One of the recommendations in here is to look at the issue of the governments, the task force—now, I realize it is a very large, complex undertaking—but to look at the issue of duplication of services among all levels of government. I think there is a clear understanding that there is a lot of overlap, that there is not a lot of sense of who is responsible. I think we would all agree from our constituency work that there is absolutely nothing more frustrating than trying to solve a problem for a constituent that involves two different levels of government, because neither level seems to want to take the ownership of the problem. We need a greater definition of what services are going to be provided by what level of government and who is going to pay for them. I think in the long run that will make government more efficient and reduce some of the costs.

Recommendations are in here to deal with some of the issues that have been coming forward. Mr Sterling has run off to these private hearings that the Tories are holding. We want to get on and deal with the issue of competitiveness. We cannot even debate the budget in the House and move forward. I mean, let's debate the budget. If the opposition feels the budget is that bad, then let's debate the issue in the House and let's get on to dealing with these others issues in terms of the questions of true competitiveness. I quite agree they need to be addressed, but competitiveness is not a simplistic attitude of simply reducing taxes. That is not going to make Canadian manufacturers competitive and make Canada competitive in this world. You need a proactive approach from the levels of government in terms of giving people the necessary skills and making sure businesses can have skilled people who can produce the products to compete.

The Chair: I have been sitting on this piece of information for some time, and it comes out of the Stoney Creek Furniture presentation. It has to do with the GST. The manufacturing sales tax was 13.5%. When they received their rebate from the federal government, they received 8% and nobody has talked at all about the fact that the retail inventory in Ontario has paid a 5% tax to the federal government that did not get rebated when the manufacturing sales tax came in. On top of that was the 7%. So, in effect, no one has talked about the fact that the goods that are still on the shelves—or a lot of the goods that are still on the shelves in the retail stores—are still taxed at 12%.

What does that mean? What kind of an impact does that have in terms of redistributing funds? I believe the

number that the Stoney Creek Furniture presentation gave was \$250,000 less in rebates than what they effectively paid in taxes. If you compound that over an entire retail sector, how much money and what impact does that have on prices in terms of their ability to compete?

Mr J. Wilson: I will just touch on that; I will try to be brief. I think you will find that overall, the formula of eight-point—I forget the exact thing—was a negotiated formula with business and government. It is extremely fair. You will find, more often than not, firms came ahead in that formula rather than behind. It is not even a simple average. It is a very complicated formula. The MST was applied at a range from 7% to 13.5%, and you will find if you phone your federal members, I will bet they have almost zero complaints. For the most part the federal government lost hundreds of millions of dollars on exchange and were willing to take that hit and make it up with the collection of the GST. It is part of the cost factor of implementing the GST.

If they have a complaint with that, there is an appeal process, and they should have—maybe they did; I think Leon's, you will see too, did take a bit of a hit on it also. I think the president of Leon's at one time was saying he was willing to do that for the national interest.

There are more good examples of the rebate program—the inventory program—than bad ones, and that is to say the net result is negative for the federal government in that area.

I want to talk about nationalism in Japan, which Mr Sutherland raised. In the manufacturing sector, we have a lot to learn from them. I do not think we have a lot to learn from them when it comes to nationalizing our industries, though. That does one thing for individual Japanese: You will find in that economy, in that country, that for the most part, because of government intervention in manufacturing, the end result is the workers are all the same. You get one class. You have difficulty with individual initiative, individual freedoms, and if you go there you have several families living in small houses, and their quality of life is nothing like ours. I think whenever you talk about that sort of intervention in the economy, you want to also talk about what type of lifestyle you are willing to have. They have an élite in Japan, clearly, but for the most part it is taking every individual, every free human being, and making them all the same when it comes to standard of living.

Secondly, I just want to go back to Mr Ward's comments on interest rates. I hope your party is not running around hanging its hat on the report from the legislative researcher, because what you are doing, what the legislative research document suggests, as you have quoted, when it deals with the effect of large government borrowing on interest rates, you are really talking about degrees of sinfulness. Of course, the deficit this year of some \$10 billion by the NDP government, and the cumulative deficit of \$35 billion over the next short years, is statistically almost negligible when you add it to the monster debt and deficits of the federal government. But, it is the cumulative sins of all the provinces and the federal government that add up, and you guys are the greatest sinners of the provinces. So you do a role there when it comes to deficit

ancing, and it is a role that you cannot ignore. You not say, "We are such a small part of the problem that it does not matter," because you are indeed a significant part of the problem when you add it all up. It is just absolutely wrong way to be handling your finances.

Finally, I want to make one quick comment. Mr. Sutherland and a number of members of the socialist government have consistently made the comment that the federal government is to blame for all their woes.

Mr Sutherland: Not all of them.

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Mr J. Wilson: If you look at it, your less-than-anticipated transfer payments this year in education, welfare and health care total \$1.6 billion. That is not a cut; it is less than anticipated. They were being transferred at roughly 3%. They are now down, in some terms capped and being reduced to around 3% and 5%. It is less-than-anticipated transfers. The \$1.6 billion is about 3% of your \$52-billion budget, and yet the 3% that the federal government has selected gets 100% of the blame in almost all of your speeches in the House and in committee. The public is not willing to put up with that much any more. They are more and more aware every day of the rhetoric coming out of this government. You better think up some new lines in my suggestion.

Ms Harrington: It has been very interesting the last 24 hours. I appreciate the comments from the opposition. I think they have had some quite thoughtful things to say. I would like to add a few comments.

First of all, if you look at the whole issue of cross-border shopping in its reality—which is the border, the trade, the interest rates, the dollar—this very obviously is a federal problem. I think we have to acknowledge that as a committee. Having said that, looking at for what and why the people are going across, I would like to say—and I think we could agree on this possibly—starting two years ago the message was given out there very clearly about free trade. That means to the average person that, "Yes, of course, the government is saying we can go across the border and look at various purchases and not have the duties imposed that have been there in the past." That message has been getting clearer and clearer to people.

Second, what has happened in the last less than a year the recession, which is touching people's incomes.

Third, and very important, the strong message out there in January was the GST. It said to people: "Yes, it's okay to go across. Yes, the federal government is driving us across. Yes, there is a quiet revolution. I will go across. The politicians do not care about myself or my family."

It would be very easy for us as a provincial government to say, as probably previous provincial governments such as the Liberals or Conservatives would have said at this particular juncture in time, "It's not our problem," but I would like to tell you that we, as a part of Canada, as the government of Ontario for the next four years, are saying that yes, we recognize it is a problem. It is an escalating problem and we will do our share. We represent communities in this province which are being affected and therefore we will not say, "Deal it off to somebody else."

I would just like to make one further comment. It is a global economy—we realize that—so let's look at what borders mean in a global economy. In our country, since free trade probably, there has been an escalation in the wage gap. There are people who do have good incomes which are probably getting better. There are people who have very poor incomes. Jobs are being lost and not replaced in the industrial sector by wages that you can support a family on. They probably are being replaced by service-type industry, which has been encouraged in this country since free trade. I believe that some proportion of the people who probably voted for the PCs in the last federal election do not even care whether we have a border or not, whether it is just an economic border or whether it is in fact a political border. "What's the difference to me?" There are people out there who are saying that. "It doesn't matter to me where I shop. It doesn't matter to me in the long term about Canada."

I think we have to address that as a provincial government. What is the future of Canada? To some extent, that may be involved in this cross-border shopping issue.

The Chair: Mr Hansen, and then we should wrap up quickly because we are running past.

Mr Hansen: I think one thing we have to take a look at is the enforcement. That is one of the important things at the border. I can remember when the Canadian dollar was at \$1.10. We did not have a cross-border shopping problem at that particular time because what was happening at the bridges was the enforcement of the regulations on importing into Canada and the tariffs or duties or whatever else were paid. Not only that, at that time, if people knew they were smuggling something into the country, the women used to wear the dresses in so they were not in the car. You never smuggled anything into the country in the car because they confiscated the car, but it is not like that today on the bridges. There are just so many cars waiting to come back, they just say, "Next. Next."

We have talked about all the other issues, we have talked about the lower Canadian dollar, we talked about collecting the GST, but I think one of the most important things that we as the government have to get across is to say to the federal government, "Increase the enforcement at the borders." My understanding was that free trade was for industry, not for the average person on the street. I think people have bought it the wrong way.

At one time you were allowed to bring \$2 across the bridge. I was going to school for a period of time and went daily across and never brought anything across because I knew of the enforcement at the bridges. I think we should get back to the enforcement. What should be paid? If you want to shop there, then you pay your duties, you do this.

Mr Kwinter: I just wanted to reply to Mr Sutherland when he said, "What is competitiveness?" Competitiveness is the ability to provide a good or service at a price and quality equal to or less than someone else's in the market. Everything contributes to that situation, whether it is taxation, government policy. Where we have a problem—and I have told you this before and maybe some of you had not heard it—but we are a very trade-dependent

jurisdiction. For every dollar that an Ontarian has in his pocket, 33 cents is there because of trade. In the United States, for every dollar that they have in their pockets, only 10 cents is there because of trade.

The reason for that is very simple. They have an internal market of 270 million people. They can generate all kinds of economic activity just among themselves. They do not have to worry about whether they do it outside. We have an internal market of 27 million people. We cannot sustain just among ourselves the same standard of living here as they do there. We have to go out and trade. That is exactly the rationale behind the European Community. In 1992 they are going to have an internal market of 360 million people. So you have Europe at 360 million, you have the United States at 270 million plus the 80 million they are going to get from Mexico; it is going to be 350 million. Just within their internal market they are going to get the economies of scale that will make us irrelevant.

So we have to do something about that. We have to get into that market, which was the whole rationale behind the free trade agreement, but we have to be competitive. If we

are not, then it does not matter what we say and what we stand up and talk about; they are going to pass us by. It is as simple as that. We cannot be all things to all people; we do not have the economy to do it. I should tell you that we do have some major players in this country. Northern Telecom is a world leader in telecommunications; it can compete with anybody. It has nothing to do with anything other than they have the technology and the ability to do it. Our resource-based industries are the same thing, whether it be International Nickel Co or some of our other resource-based, in that they have something that gives them a comparative advantage. Where we do not have the comparative advantage we have to do it smarter and we have to be able to do it, which means we have to invest in our people and in our technology. Unless we do that, we are not going to compete.

The Chair: Thank you. Hopefully this committee will reconvene at 3:30 this afternoon.

The committee adjourned at 1209.

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Cross-border shopping

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 30 May 1991

The committee met at 1017 in committee room 1.

CROSS-BORDER SHOPPING

The Chair: Good morning. I see a quorum. Unfortunately, not all parties are represented, but there are seven members and I think we should begin this morning's proceedings on the cross-border shopping interim report.

Mr Sutherland: Mr Chair, if you recall last time, the government side had presented proposals, we had some discussion about them, and we heard comments from the opposition members that they did not think those proposals were adequate. We are anxiously waiting to see what they are willing to bring forward in terms of proposals and recommendations, so I would think that would probably be a logical place to start today.

Mr Kwinter: If I could give just a bit of a preamble as to what I think we, as a committee, should be doing, without being partisan or provocative. There seems to be a tendency every time a tough question is asked to try to lay the blame somewhere else. We notice this all the time, that cabinet ministers have been given instructions, whenever you get up and ask a question, to put it somewhere else. "Do not buy into it." As a result, they always get up and the first thing is "high interest rates, the exchange rate"—blame it on the feds. That is great political policy, and I have to admit we did the same thing every time we got the opportunity.

But I do not think this committee can come forward with any credibility and say, "We're blaming it on everybody else." We are going to have to do something about it. There are things that are within the jurisdiction, within the review, and within the responsibility of the province that can be done, and I think we have to do it. There has been no real addressing of those opportunities. There has been a lot of fuzzy, warm things that we should talk about this and that, and do that, but there has been no real saying: "Here is the issue. Here is what we can do to help it."

I think, when we listened to all of the witnesses, that the number one thing that came through is that it has nothing to do with a feeling for Ontario, it has nothing to do with patriotism, it has nothing to do with anything. It has to do with cost: "If you can bring the cost down, we'll support it in Ontario. If you can't, we're going to go where it is, to our economic wellbeing and where we can get the best value for our money. If you want to talk patriotism, we are paying our taxes, and we are paying what we think is an inordinate amount of tax. That is fine, and we're prepared to pay it, but we're also prepared, and we have an obligation to our families, to go out and get the best value we can for our money."

I think that is really the crux of what we have to address. Having said that, there is no question that there has to be some co-ordination between the federal, the provin-

cial and the municipal governments in order to address what is becoming a very serious problem.

We have some recommendations. The first one, the one we think is the most important one, is that there has to be this recognition that the province has to be a player. As I say, it cannot be a finger-pointer, it cannot be just sitting there saying, "You should be doing this and you should be doing that." They have to become a player, and it means there have to be solutions from all three levels of government, but the Ontario government has to be actively in there and participating.

We think the first thing is that the government should appoint a superminister. That does not necessarily mean the guy or girl or whatever is going to be super—hopefully, he or she would be—but someone who can co-ordinate the government's activity; someone who has the strength, who has the ability to go in and negotiate and really pull this stuff together, and not just sit there and voice platitudes and get up and read from a prepared text that has been given to him by someone, whether from the Treasurer's office or someone else; someone who can take charge and say: "Here are the problems. Here are some of the solutions that have to be implemented if we are really going to address this problem."

Having said that, I think there are some practical solutions that can be made.

Mr Christopherson: A point of information, Mr Chair, if I could: Will there be written copies of your recommendations?

Mr Kwinter: I am glad you asked. I can give it to you right now.

Mr Christopherson: Ask and ye shall receive.

Mr Kwinter: Our second recommendation deals with the issue that, it seems to us, has been targeted as the number one trigger to get people over to the United States, particularly in the border communities, and that is the price of gasoline.

When you are structuring a budget, if you are the Treasurer you have many options, and most treasurers and most Treasury officials usually will take what they consider to be the easiest options. The easiest options are the ones where they feel they can get to things like gasoline, liquor, cigarettes. It is easy to do. You add it on. It is paid for by the people who use it. The people who do not use it do not pay for it, and as a result it gives Treasury officials a lot of comfort.

On the other hand, it allows them to not make the tough decisions, and this budget was no different. It allows them not to take a look at cutting programs, cutting costs, cutting salaries, or doing any of the other things that are available to them, because by adding this tax you can

generate the kind of revenue you need without creating any other problems.

Given the fact that gasoline tax or gasoline prices have been identified as one of the major contributors and triggers to cross-border shopping, we think something this province could do is to rescind immediately the 30% increase in gasoline tax; that means the 1.7 cents that has been implemented should be removed, and the 1 January 1992 increase of another 1.7 cents should be abandoned. I think the same thing should be done both with the alcohol tax and the tobacco tax.

It is interesting, we were up in Collingwood a couple of days ago. It used to be a shipbuilding centre and had some industries, but it is primarily a tourist industry. Witness after witness came forward and said, "The tourism industry is absolutely critical to our economic wellbeing, and nothing is being done for us." All of these taxes, cigarettes—not so much cigarettes; they did not really mention that—the gasoline and the alcohol were singled out as being terrible deterrents not only for tourists from outside the province but for tourists inside the province. Their revenues are down because people do not want to pay the price for the alcohol, and with the price of gas they are not travelling. We think that is something that should be removed.

Then, of course, there is another excellent way of stimulating both the economy of Ontario and lessening the impact of the cross-border shopping, and that is to reduce the sales tax by 1%. You should know, and I think it is important that you know—when did we raise it from 7% to 8%? I think 1986—a 1% increase in sales tax at the time represented \$1 billion of revenue. At the time it was done, the feeling was "We have to raise this extra revenue." There were all kinds of ways of doing it: raising income tax, corporate tax, all of these things. The Treasurer, in his wisdom at the time, said, "Let's go for the sales tax."

Again, if you do not buy anything, you do not have to pay it, and that was the way. The total rationale was to get another \$1 billion. That is fine when the economy can absorb it, but now we are in trouble, we are in a recession and even though it is bottoming, we are not going to see the results of that for a while, and we are in this competitive situation. It is my feeling this is the time to give that \$1 billion back.

Naturally, the first question that is going to come up is how can we do that; we have to get it somewhere else. That is exactly right. We have to look somewhere else for that revenue. Recommendation 2 deals with that. Gerry, do you want to carry on with some of the others?

Mr Phillips: Sure, Monte. We are dealing with a crisis in the cross-border shopping and we have to find some solutions very quickly. The long-term solutions we all look at are restructuring the economy and all those sorts of things, but in the meantime we have communities that are really struggling. So all of these things are designed to provide the communities with essentially immediate help.

The third recommendation I think is an important one, and that is the retention of the option for communities that feel it is in their best interests that they can remain open on Sunday. The more I have actually had a chance to work

with the Sunday shopping bill, the more sense I think it makes. We will find there are many communities that believe this is going to be quite important to their survival on the cross-border shopping issue.

The fourth one is somehow or other getting co-operation with the federal government on the collection of the provincial sales tax. There has been one meeting where both sides take shots at each other and in the meantime the cross-border communities are suffering. The government has to take another run at the federal government to find a way to collect the provincial sales tax.

Recommendations 5 and 6 are around helping our agricultural community through these tough times, because we heard the numbers in Sault Ste Marie were quite staggering, in terms of the impact on the agricultural community, of cross-border shopping. We have two recommendations here. One is taking the current quota system, and during negotiations with the other provinces getting our share of the quotas up higher, and also looking at the temporary import licences that allow US products to come into Ontario.

Recommendation 6: Some of our agricultural community feel that they are clearly playing a big role in the environment and helping to ensure that our products are as safe as they possibly can be, but they are competing against products that do not have the same criteria applied to them, thus the idea of what we will call the Ontario seal of quality being applied to the products so that Ontario consumers realize these meet the standards in Ontario.

Recommendations 7, 8 and 9, frankly, are not inconsistent with some of the recommendations that have been proposed by yourselves. For whatever reason, we heard a lot of comments that somehow or other people feel there is a slightly higher service orientation in some of the US centres. I do not know whether that is the case or not. We have heard it often enough that there must be some truth, maybe not consistently, in that. If all of us realize that we all have a stake in developing a service culture, it probably means everything from store personnel to, I do not know, government employees.

1030

I think that, as my colleague said at the outset, in the final analysis, it is difficult to persuade people on emotion when many people are struggling economically. Having said all of that, though, I think there is still some merit in trying to communicate to people the benefits of shopping in Ontario beyond just, "It's a nice place to shop." I think there are a lot of benefits that we all derive from that. So I believe it is consistent with one of your recommendations.

One thing I was struck by in the presentations is, it is always somebody else's fault. That is why our recommendation 9 is to try as best we can to get the facts. I think we heard retailers say: "Well, don't blame us. It's our cost of acquisition." Somebody else says: "Well, don't blame us. We produce our products here in Canada. We are faced with these costs, so don't blame us." The agricultural community will say, "Listen, we're producing quality products under all these standards; don't blame us." I think we need to know what the facts are. What is the real basis for the difference in costs? One suspects in the end it is probably

different things and you add them all up and that is what represents it.

As my colleague said, in these committees you like to start off on as non-partisan a base as we possibly can, but I think all who sat here appreciate that we have a short-term problem and a long-term problem on our hands here. I guess our nine recommendations deal with the short-term crisis. The 10th one is, we are going to have to find a way to deal with the long-term issue, because my own view is that, as I said in this committee before, I think we are just merely kicking the start of this. Like any war, it often breaks out along the border, but the symptoms are going to move inland. What we see in differences in costs across the border eventually gets lobbed right to the centre of Ontario and impacts on our manufacturing sector and other sectors. Whether it or not, I think the new government is going to have to deal with that. I guess our clear feeling is that the budget is more than being helpful, going to be harmful to that.

Just to summarize, as my colleague said, I think it is going to be convenient to kind of say, "Well, this is somebody else's problem," but I think that the government is going to have to take some leadership on the issue. Rather than saying it is partially the Minister of Revenue, it is partially the Treasurer, it is partially the Minister of Industry, Trade and Technology, we are going to have to designate one minister who is going to take on the ownership of this issue or the cross-border cities and towns are going to be at the mercy of the marketplace.

I think there are some short-term things we can do to stimulate the economy. I think one of the members here made some statements on the gas prices, but the gas tax increase is just like, pardon the pun, throwing gasoline on the fire. Certain cross-border communities and the trucking community feel that you have taken a problem that we knew existed and then done almost the worst possible thing for that, which is to put the tax on the price of fuel up 30%.

The other recommendations I have covered. So I would hope we could have a good discussion using your recommendations, our recommendations and their recommendations, whenever they arrive.

Mr Kwinter: Could I just add one little addendum to what I think is quite significant? We met with the Ontario tourist association on Tuesday and there were some rather startling statistics. They certainly startled me. We all know how important tourism is to Ontario: It is the largest single employer and it is the third largest industry in all of Ontario, and they were saying that right now, 92% of all of their business comes from Ontario and only 8% comes from foreign tourism—dramatic, dramatic change, much so that the Tourism ministry has virtually decided to sort of forget about the foreign stuff and concentrate on Ontario.

Now, if you listen to the radio, you hear the commercials saying: "Where did you go last summer? I stayed in Ontario." And then they extol the virtues of staying in Ontario. The reason for that is that this is where their market is, and with this cross-border shopping and with the problems we have, that market in itself is eroding. So it is a double-edged sword. They found that more and more Ontarians are

spending their vacations in the United States, and they are doing it for one reason only and that is the economics of it. It is just cheaper to go there, it is cheaper to eat there, it is cheaper to be entertained there, and that is why they are going. That is something we have to address. We can only do it by making some concrete changes. We cannot do it by putting out fancy reports that have platitudes about what we have to do this, that and the other thing, but nothing to change the root cause of the problem.

Mr Christopherson: First of all, just to respond briefly to Mr Kwinter's preamble, I was pleased to hear him say he was going to try to be as non-partisan as possible and then immediately disappointed when the first thing he did was become, in my opinion, very partisan. I can appreciate the concern by the opposition that there is a lot of reference to the federal actions in terms of the made-in-Canada recession and the high interest rates, high dollar etc that we refer to. As much as the opposition would like to trivialize those, we feel they need to be constantly put out front because they are a major cause of the situation we are in.

I think where we get into difficulties is where you draw the line in terms of where the partisanship is. But again, for every time that we sense somebody is trying to downplay those issues, we are going to reinforce the fact that they are a major reason, and if you look at any analysis anywhere, you will see that almost invariably, off the top of the argument, come the problems that the feds have generated. I will leave that there.

The other thing is, and I think back to the presentation of Mr Winters, which is probably one of the presentations that stands out the most—it certainly got the most reference in the media—if I recall correctly, right in there he stated that there was no single panacea for this. I think that is probably reflected in both our position papers because nobody really has tried to say, at least not from these two parties—the Liberals and the New Democrats who are present today—that any one solution would take care of everything because we have such a range of recommendations.

However, if I can try to be as non-partisan as possible, having responded in a very partisan fashion—

Mr Phillips: I can tell by the decibel level of your voice whether you are being non-partisan.

Mr Christopherson: I make a habit now, Gerry, that when I am giving a speech, I check with you to see what the volume is like. I thought it over the other day after you came over and talked to me, and if we can just get the Tories to lower their level, I will gladly lower mine. But I want to make sure you hear me, Gerry, and I know you are really interested in everything I have to say.

Recommendation 1, and again this is just off the top without having consulted with my colleagues: I like the recommendation. I am not keen particularly in the label of superminister because that—

Mr Kwinter: I agree. That is why I said I do not mean it has to be a superperson per se, but someone who has—

Mr Wiseman: Someone to lead.

Mr Kwinter: Not even lead, someone who buys the issue and has a responsibility to address it, someone who

can be like the organizer and the spokesperson and the driving force in tackling this problem.

1040

Mr Christopherson: I think it is a good recommendation. I am not aware that we have specifically, actually designated a minister to be responsible, with certain authorities and powers beyond what he normally would have as a co-ordinator and as the key player. Again, the idea of superminister is dangerous, because what it does is it means that other issues—if there is a minister designated to be the co-ordinator and if he does not get the title of superminister, then that issue does not carry the same weight as others, and that is problematic.

So I think there is merit in that and I think it is a good recommendation. Unless I am overruled by my colleagues, I think that is something we ought to look at very carefully. I think it is a good recommendation.

On recommendation 2, the honourable members across from me will recognize that we are obviously not going to be in support of that.

Moving right along, recommendation 3: Again, we have always had a problem with the fact that the provincial government was not prepared to take a stand on the issue. We always felt the municipal option as the general policy for the province was a bit of a copout. I know you disagree, and that is fine. So now that we are in government, we are clearly going to be taking a stand on one side or the other and let the chips fall where they may. But the idea of the municipal option is not something we have been comfortable with as the general policy.

As for the other recommendations, most of them are consistent with ours, as mentioned—the latter recommendations. And the others, I think there is probably room for some negotiation on our part in terms of just wording and in terms of approach. I do not know if we can be as finite as you have been and would like to be, but I think you can recognize from the government side that merely to say, “We’re not going to get enough; it is our job to get more and nothing less is acceptable,” when you are dealing with other provinces that are also facing their own recessions and their own difficulties, they are going to be as close to the vest in terms of keeping their interests in the forefront as we would be. But the initiative has some merit and I think we would be willing at least to take a look at that. Maybe we could find some common ground there to move on.

By and large, I would just like to wrap up by complimenting the Liberal caucus for the obvious sincere effort they have put into this and the amount of work. I think maybe between us, if our friends from the third party show up and are willing to play the same kind of role, we can put together a good report that might go a long way to resolving some of the difficulties.

Mr Sutherland: If I could just make a few comments, in terms of the opening remarks, there was some reference to the fact that we did not want to take ownership of the problem. I find that in our recommendations we tried to highlight the fact that the province does have a role in that in terms of participating in the trilevel task force, in terms of negotiating with municipalities over different issues,

again the trilevel task force on duplication of services and who should fund those types of services, and looking at two options of collecting provincial sales tax. So I think we agreed with that, that there is a role the province has to play and that it needs to be in there and be one of the partners in attempting to find the solutions to the problems.

Mr Christopherson commented on recommendations 1, 2 and 3. I just want to comment on a couple of others. Picking up on Mr Christopherson’s words about the common ground, it is nice to see there are at least four recommendations that are pretty well similar, as I think Gerry highlighted when he was going over that.

Recommendation 5, in terms of what you were saying about negotiations on the quota system, I think that is a very valid recommendation. Where those negotiations will lead, given the nature of how provinces have been negotiating on issues, is hard to say, but I think it is certainly something worth pursuing and for the Ministry of Agriculture and Food to be pursuing. I am sure our farmers would be appreciative of that and some of the processors as well.

Recommendation 6, where you talk about the seal of quality, I would be interested in knowing some more details about that in terms of—you say this is a way of recognizing that it is a local product or an Ontario product. We already have our Foodland Ontario signs in many of the stores, which help to recognize that. And I guess in terms of some questions about how people will get all the information or knowing the standards that you outline, I would be interested in having more details on that.

I want to make one comment on recommendation 10, where you talk at the end about avoiding heavy future taxation burdens on Ontario consumers and business, and that last line, “much of which lies at the root cause of this problem.” I am sure if our friends from the third party were here, they might comment on the fact that you may be admitting that over the last five years taxation has been increased dramatically. I just found that line rather interesting, that you would put it in your report.

But overall, as I say, I agree with Mr Christopherson. I think there is some good common ground here to work from and develop from.

Mr B. Ward: I concur with my colleagues. I think we should be able to develop good, concrete recommendations by massaging both our and your recommendations. I have some concerns with some of the recommendations. In essence, they are around recommendation 2, which deals with proposing that the retail sales tax be cut and the gas tax be rolled back, and recommendation 10. I firmly believe, not being partisan, that we do have our fiscal house in order. Our Treasurer has developed a long-range plan based on fiscal responsibility.

I think Gerry mentioned, we had one of the delegations here, and every action has a reaction. Recognizing that we have a social and economic platform that we want to implement as the government, if we adopted recommendation 2, then this committee would in essence be suggesting that we allow the deficit to go higher than it is, because we are taking away potential revenue from the Treasurer. I am not sure if we want to make that recommendation. I do not think that is where the Liberal caucus is coming from in

recommendation. But every action does have a reaction, and if you withdraw revenue, either the deficit goes up or we should be recommending where additional revenues can be gathered, whether it is an increase in the income tax or whatever. I am not really sure we want to get involved with that.

I think most of the recommendations are similar in regard to the direction that we want in the cross-border shopping issue. I think that by working together—and we seem to be able to communicate quite well together—we should be able to come up with an excellent report for our government to examine as a plan of action.

The Chair: I was just conferring with Ms Anderson about the cost of recommendation 2. The cost of dropping sales tax by 1% could be—it probably is not around \$1 billion now because of the downturn in the economy. The true cost of that would be between \$800 million and \$1 billion.

Mr B. Ward: To be fair, recommendation 4, if it were adopted and if in fact we could negotiate with the federal government, there would be revenues from the collection of the provincial sales tax at the border. So there would be some revenue gathered from that recommendation.

The Chair: Just to conclude my thought, we do not know what the impact of a 1% reduction in sales tax would be in terms of total tax revenues. If it has the effect of stimulating the economy and purchasing in Ontario, in fact, revenues may or may not go up, depending on how much that has impacted. I think it would be interesting to know from the Ministry of Revenue if it has any studies, any kind of analysis of the elasticity of this kind of tax and whether it contributes to stimulation and how much and what kinds of revenues it could produce. From that point of view, it is tough to tell what the results of that tax would be. In commenting on that, you are looking at I think somewhere in the neighbourhood of \$1.5 billion in forgone tax revenue in recommendation 2, which we have to be cognizant of.

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Mr Jamison: That is basically the point. If you drop the provincial sales tax by 1%, you would have to generate business from there to really balance without adding taxes in another area. I do not think that would make any significant difference in solving the problem.

As Mr Phillips has said, there are a hundred different things that contribute and that have developed over a number of years. That happens to be very correct. I do not think dropping the PST by one percentage point would create a different frame of mind in the cross-border shopper, in that mentality. I really do not think it is significant enough to do that. Sure, we have some responsibility to look and see what areas we can move in and what we can do, but again Mr Kwinter indicated that 1% in the PST rate could work out somewhere around \$1 billion. If what I am saying was true, that we were to convince our colleagues to go that way, that revenue would have to be assured, made up, or new taxes of one form or another would have to be implemented. There are no two ways about it.

My feeling is that would have very little impact on the cross-border shopping mentality, if any. We are in a situation where we are experiencing a \$9.7 billion deficit and we are talking about, on a chance, taking another \$1 billion and adding that to the deficit, without any assurance of the type of impact that would have in stimulating and generating more economic activity on this side of the border and whether or not there would be a balance there that would at least see us break even on that move. My own impression, quite candidly and honestly, is that I do not believe that would be effective in doing just that.

The Chair: Before we go on we should be thinking a little bit about how we can agree on recommendations that we can then have injected into the report, on what recommendations have common cause and little disagreement so that Anne Anderson and David Rampersad can move ahead. On the ones that are more contentious, we might want to see if there are rough edges that can be smoothed out and if agreement can be reached. I know that in some cases there will be no agreement and that would be a minority report. I am just trying to think of ways we can expedite this and move ahead so that we can have something to give to the Treasurer if the budget and all that will descend upon us in the near future.

Mr Kwinter: Mr Chairman, before you do that can I just respond to some of the comments that were made and then we can do that?

The Chair: I was just throwing it out as an idea to think about. We have about two or three more speakers and you were next.

Mr Kwinter: I just want to respond to a couple of things that were said. I think as a basic premise there is a misconception as to how committees work. When I was a minister, I used to tell this to my bureaucrats. They would come in with recommendations and then immediately say, "But politically you won't be able to sell this." I would say to them: "Don't play politician. That is my role and that is my colleagues' role. Your role is to give me the best recommendation you have and do not tell me what the political ramifications are. We are going to make that decision." Quite often, the best recommendation was not the one that was accepted by the government, only because of the politics. I am saying that because that is the same—

Mr Daigeler: Are you sure you are telling the truth?

Mr Kwinter: We have exactly the same problem here.

The Chair: Their problem was they did not listen to him for the last six years.

Mr Kwinter: I do not think it is our role to worry about the Treasurer. That is his role. If we are going to make our recommendations based on what we think the Treasurer will accept or will not accept or where he is going to get the revenue, then this is an exercise in futility because he has already gone through that exercise, and we have his budget, which is the result of that. If you are just going to say, "That's his budget and this is what he has decided," then we might as well go home.

What I am saying is that we make the recommendations. Whether we can sell it to the government is problematical.

That does not matter. What we should do is take a look at it and say, "Here is what we think could help this problem," and let the Treasury people and the Premier and the cabinet worry about whether or not they are prepared to accept it. But if all we are going to do is say, "Well, if we do this it is going to do that and how are they going to this," forget about it.

If you take a look at the response of Mr Christopherson, there are 10 provinces in Canada and different provinces are being affected by the recession and by cross-border shopping in a different way. The province that is being most severely affected is Ontario, for a variety of reasons. We have had a 3% drop in the gross domestic product of Ontario. British Columbia is just about even or slightly ahead. They have actually had some growth; very little, but they have had growth and they have exactly the same interest rates, exactly the same value of the dollar, and they have had some slight growth. Even the Maritimes—of course they have a chronically depressed economy—have not suffered as badly as Ontario.

To just say we have to recognize that these are problems that affect everybody and that the federal government has a role to play—no question: I think we have a responsibility and an obligation to keep pushing the federal government to get its house in order. But there are still things that can be done in Ontario. It is interesting that in all of the comments—I was listening—there seem to be only two areas where there can be movement: Either increase the deficit or increase taxes. Not one member on the government side said that we may also have to take a look at cutting costs or cutting programs. That may seem to be a holy cow that you cannot touch.

That is why I am talking about the sales tax. We implemented the 8% sales tax, and in the last election, because of the deterioration of the economy, we said we would reduce that sales tax by 1%. Now, it was a response, without question, to the deterioration of the economy. That was really what it was. The economy was going into a free fall and we are seeing the results of it.

1100

If the feeling is that, "Well, we can't do that because it would take \$1 billion out of that and where is the Treasurer going to find it?" that is his problem. I think what we have to look at, as a committee, is where do we think we can address this problem?

We have had a comment from the parliamentary assistant to the Minister of Industry, Trade and Technology saying that he does not think 1% is going to make a difference. He does not know. He just says, "My gut feeling is I don't think it will make a difference." I think we have to take a look at it. There should be a way of determining, for every decrease in the sales tax, what does that do to stimulate the economy and what does that do to lessen cross-border shopping? He may be right, but I do not think we can make that decision based on, "I don't think it will make a difference," because I cannot say I think it will and I do not think he can say that it will not. I think there has to be some mechanism for gauging what the impact would be and to determine whether or not that would be a significant effect on the problem. I think that is what we have to do.

I am quite happy to go through these recommendations and if we can get agreement on some, then put aside the ones that we cannot, then we can see what we can do with those.

Mr Phillips: I am trying to figure out how we proceed too. Maybe Mr Kwinter has a solution of trying to work our way through the two sets of recommendations, and where we have agreement, to give some direction to the staff to draft something. The material we presented was kind of just draft for discussion purposes. I think we all appreciate that and I assume—

Mr Kwinter: Can I just interrupt for one minute. There is another concern that I have. The concern is that we do not have any representatives from the third party. The concern I have is that we sit down and agree on something and then they come in and say: "Well, that is ridiculous. We do not agree with that." We are sort of back at square one. It would certainly be my feeling that if we go through this exercise, we should have representatives of all parties, so that at least when we agree on something, we know that we have agreed to it and do not have to go and revisit it when these guys walk into the room.

Mr Christopherson: In fairness, we should remind them, and I see the clerk leaving now to remind them, that we are at some crunch time. Bear in mind that we went through something similar when we did the pre-budget consultation. They felt there were major chunks of the decision-making process they did not want or feel a need to be a part of. We did a lot of it without them being here. I am not going to hold up the process personally if they just decide not to be here. If they have a good reason and request that we accommodate them, I am prepared to consider that at any time for anybody of any party, but if it is just a question of other priorities, I do not think we should slow down this business. It is your colleague who recognized it as a crisis and I think the Chair is anxious for us to produce a report as quickly as possible.

The Chair: I have a sense here in what we have before us of the making of a good report with recommendations to the Treasurer. I have perused both documents again and I think that at least with the people who are here, we are not far apart, except on maybe one or two issues and perhaps some of the language. If you eliminate some of the partisan language, I think there is a lot of consensus and recommendations that both sides can live with.

I just perused the government party's. For example, under long term, they are talking about sending an examination of municipal taxes and services to the Fair Tax Commission for an assessment. To me that seems to say something about the long-term solutions.

I think we are not far apart and I would like to see if we can move in that direction within a short amount of time so that we can get a recommendation. I feel, as the Chairman here, that we have to move along, because I think very shortly this committee is going to be given an awful lot of work to do. If what we are hearing about the budget coming to this committee is in fact going to happen, I feel a little bit of a compulsion to move along.

Mr Jamison: I am sorry, I did not hear that last tement.

The Chair: This committee is going to have an awful of work coming and I feel an urgency to get a report ether, even if it is just an interim report, so that we can something to the Treasurer for a number of reasons. We have in the rotation now Mr Christopherson—

Mr Phillips: I think the Hansard would show I was finished. I was interrupted.

The Chair: Okay, then I will allow you to continue, if Mr Kwinter would not interrupt you again, I think could move along.

Mr Kwinter: That was actually on a point of order.

The Chair: I am not sure that was a valid point of order, Mr Kwinter, but I had to listen to it to hear it.

Mr Phillips: I do think there is considerable merit in what the third-party recommendations will be because we actually go through point by point. I am just thinking that, as my colleague said, we may agree on certain things, but they may bring in another twist on the recommendations. I think we run the risk of it not being as productive as it could. My own instincts are that we should spend whatever time we need to clarify each other's positions in case there are questions now, then come back together again this afternoon, hopefully with the conservative recommendations before us so that we can end of work our way down where there is three-party agreement on it. It seems to have a lot more merit. We also have where their recommendations may come. They may be improving on these two.

Mr Hansen: Just taking a look at the 1988 budget where we were talking about which the Liberals brought in, where they brought—to me that was GST when it was on goods and services at that time. That was when the economy was good, and yet there was an increase. I cannot see how we can decrease 1% off the 8% retail sales tax. When we were discussing that, Mr Kwinter was saying that we were going to drop 1%, but that was to put the Ontario sales tax on top of the GST, which would work out to close to 8% gain. So there was no reduction at that particular time in the last election. That is the partisan part.

The other part is that in the United States right now they are taking a look at setting up a milk marketing board. There is supposed to be a report on 19 June. They find out, with the surplus amount of milk over there, that it is costing the US government too much money. So they are actually looking at the model we have here in Canada. There is a good possibility that in this particular area, and maybe some of the other areas, the Canadian farmer will be coming on to a level playing field.

The other thing is the price of gas, that we increased the tax by 30% by putting it up 1.7 cents and this would effectively drive more people across the border to shop for gas there. There was not anything much in the paper that the oil companies raised the price seven and eight cents a litre—I think it was on the long weekend. There was nothing said at that point, and yet everybody is throwing their hands up that 1.7 cents is a whole lot of money, 30% increase. If we are to wind up matching prices with the

United States by dropping tax on gasoline, which was noted, the oil companies are picking up what we drop. So we will not wind up being very competitive in that particular area.

The other thing to note here is that we have a lot of people shopping across the border, but they want to live in Canada. What we have to do is take a look that we are a caring nation, that we take a look at the social benefits we have here, and I do not think we see people readily moving to the United States because of high taxes, etc. They might be shopping over there, but they like the benefits. That is what we have to sell people, that they like to live here in Canada but only shop in the States, and we have got to entice them to come back. I think we have to say that we have to pay the pricetag for living here in Canada.

1110

Mr Christopherson: I want to ensure that the record is at least clear from both sides on some follow-up comments, and I suspect that we can move on. I would acknowledge that some of Mr Kwinter's comments probably narrow the gap in terms of our stand on the feds' role in all of this. There is still some disagreement, but I think we have come a long way in recognizing how much is legitimate to claim as part of the problem and where some of the political rhetoric begins to pick up. I am prepared to leave that, and in the areas we disagree, just agree to disagree.

I am surprised, however, that he would mention the 1% sales tax. In my opinion it is universally accepted that that was a rather discredited move that was done in a panic time in the election. It was not well-thought-out. There are even reports that the Premier and the Treasurer of the time were not even in concert on their approach to this. So to suggest that a well-thought-out idea that was meant to mitigate some of the damage of the ensuing recession is something we should now look at, quite frankly, I find an absolute non-starter and I really am surprised that you would raise it, because I think the history shows that was not why it was done. At this point we have no intention of following up on that recommendation.

That leads me to the idea that—and I think again there needs to be some comment on the record from the government side regarding the Treasurer's role. I am sure if I were sitting on the other side, I would feel exactly the same way and I would damn the torpedoes on every single issue. That is the role of the opposition; I would feel that is my role if I were there.

We have an obligation, as you can appreciate, to deal with all the issues, and we are the ones who have to answer to it as a government and our ministers in the House every single day. To suggest that we do not need to be considering the financial impact on the Treasury and on the government I just do not think is realistic and does not make common sense. We have to be concerned about it. For someone to ask us even in our own caucus, once the report was tabled, "Did you not even take a look at what that would do in terms of the dollars?" We just came out with a budget. Do we just turn to our colleagues and say, "That is Floyd's problem, not our problem." It is a government problem, it is a caucus problem. I think, though, that we should not be absolutely bound by every utterance of

the Treasurer, Premier and cabinet on committee recommendations, but in the process of developing those opinions we are going to consider what the impact is, and I think people would expect us to do that.

Cutting the costs and programs, again it was mentioned that none of us referred to anything like that, and Mr Ward talked about the fiscal restraint concerns acknowledged in the budget, and in the budget there is a short-, medium-, and long-term plan presented by the Treasurer for dealing with the deficit and other matters. The development of the new Treasury Board is exactly the response to the very concerns raised by Mr Kwinter. Indeed, one of the things we are going to be doing through the Treasury Board is taking a look at cost-control measures to ensure that we get a handle on those things, and where we can cut, we will be doing it.

To end on a positive note—I will try to begin and end that way if I can—I agree with the process that is being suggested, and I think maybe Mr Phillips' suggestion that we at least wait until this afternoon to see if there are any recommendations tabled by the Tories is not unreasonable. Maybe we can just conclude our general remarks when we are done and then start that process. I would ask that we then recognize, if the third party is not present, that that not hold up our business, that we begin to work through, as the Chair has suggested, those areas that we can agree on, set aside the ones we cannot, and take it from there. I am still feeling very positive that we could put together a pretty helpful report that the government and the ministers affected could use.

Ms Harrington: I am very pleased that we have these two pieces of paper. It shows that you are serious, as we were last week, in coming forward with recommendations. Off the top, as a sign of goodwill, I would appreciate it if the opposition party could drop recommendation 10, which I find offensive, because we do want to work together.

With regard to the comments at the beginning about our role as a government and as a province, I think I have stated here before that the basic underlying problem is a national one and does fall to the national government. Whether it is the interest rates, the dollar or the duties at the border, these are all federal matters. I believe that we, as representatives of our individual communities, do have a role to play although it is fundamentally a federal problem, that we as a government do take that responsibility seriously, and that is why we are doing this. That is why we came up with that paper last week, and that is why we are happy with the fact that you came up with this paper. I think it is very positive that we are involved in some way, but we cannot take ownership of the basic, underlying problem.

You have mentioned a 1% retail sales tax cut. When this was done last year, first of all, I do not think it stimulated anything in particular that I know of. That was a trial run, decreasing the sales tax, and I do not think it proved to be effective. With regard to any kind of tax impact coming from a border community, I would say that that kind of direction would have the most impact if it was towards the gas. I believe there is merit in that quote you have here: "If it wasn't for the cheaper gas, we'd probably not bother coming over." I think there are enough people in border communities who do not want to spend the time at the border crossing and the hassle of going across, but if we

could somehow lessen that difference of \$10 a tank, and given our Canadians half a chance not to go over, then they would not spend those other dollars other than gas while they were over there. If there is any movement in this direction at all, with regard to the Treasurer, I think it could or might be more focused on the gasoline issue.

The last question I want to ask the opposition is that cross-border shopping has been an issue for a while. It just did not all of a sudden happen in January, but I know it was accelerated by the GST. What do you feel the previous government did in the way of leadership on this issue, because maybe I was not aware of any? Maybe I do not know.

Mr Phillips: Two or three points: One, Mr Christopherson kind of thinks that the 1% cut in sales tax is just a throw-in thing. Actually, our leader has constantly raised that, and we believe it is an important element in kick starting the economy again, so it was not thrown in as sort of a neat little throwaway to anger you.

Mr Christopherson: You are trying to save face, Gerry.

Mr Phillips: No, I am just saying that we feel it is a good recommendation, and it would not be there otherwise.

I think we would be happy to look at the wording of recommendation 10, if it is too offensive.

On the last point on what the previous government did, the fact is that we went through five years of the best economic growth the province has ever had. Employment growth, the economy, during those five years, by your admission and by everybody's admission, was the most robust in the history of the province, and I guess we would have—

Mr Hansen: There were 33 tax increases.

Mr Phillips: It is all part of the strong economy, and I guess if we were in government now you have many of the recommendations we would be looking at.

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The Chair: I would like to interject here for a moment about an observation I have in the last debate we had on the floor here before the break. I made a comment that when the manufacturing sales tax was put into place, the rebates to the retailers was less than the 13.5%. A comment from Mr Wilson, who is here, said that the retailers had done very well by the manufacturers' rebate. So I took it upon myself to do a survey. It is not scientific in any way, but I was looking for specifically any retailer who received more money back from his or her manufacturing sales tax than was paid. There were none. The consensus is that there is a 5% to 6%, and in some cases as high as 7%, loss in revenue because of the changeover from the manufacturers' sales tax to the GST.

I further questioned them, and it became quite apparent that as of 1 January, the tax on goods in some cases was not 13.5%, but in fact where they had received only an 8% or a 6% rebate, the tax on those goods that were being sold was still somewhere between 11% and 14%. So there you have a situation where people have the expectation that these prices should be lower because the taxes are lower, but in fact the retail merchant who was in the store with his inventory in place on 1 January saw literally no decrease in the tax on the goods he had in inventory in the store at that time, and if that

entory is still there, he is still not seeing any kind of increase in the cost per item in the store.

I stand by what I argued prior to the break. The amount of impact in terms of lowering the price that the GST was supposed to have has not in fact been passed on to the consumer in all cases, even to this point, five months into GST. I think that is an important consideration to look

in terms of why the prices have remained high and why in some cases the prices are still higher now than they were prior to January 1991. That retailer has still to deal with that as a problem.

This is of course open for discussion here, but I would not like to add a recommendation that the federal government increase its rebate of manufacturing sales tax to the retail merchant to close that gap between what he in fact paid and what he got in return. If that is 5% or 6%, even if he receives only 3% in terms of a return, that will be a large injection into the retailer's pocket and I think would have a fundamental effect on the survivability of some of the retail merchants in the cross-border areas.

I know from the fact that the Stoney Creek Furniture presentation—I will admit up front he is a friend of mine. He and I have had many discussions. The difference between the manufacturer's sales tax on his inventory and what he received in return was \$250,000. I talked to the Canadian Tire store owner in my riding. It was \$160,000. I talked to a small business person who works on making tires. He told me that his was \$1,800, and his is just a small retail store. From my point of view, there is a huge amount of money that the federal government has acquired because of the switch from the manufacturing sales tax to the GST. I think that is worth debating and worth considering as a recommendation, but of course it is up to the committee.

Mr Kwinter: If I could just respond briefly to that, and even if I want to make another comment, this problem with cross-border shopping did not just start 1 January. Jim, your commendation—unfortunately you are going to get exactly the same response that we have from the government side. What you are saying to them is, "Give up some of your revenue," and they are going to say, "Well, that is very nice of you to say, but we are just not prepared to do it."

That is exactly the point I am making; I think we should recommend that. Now, the chances of its happening are zero and nil, but it depends on whose ox is being yoked. You are saying, "We are not prepared to do that within ourselves, because we have to account to our colleagues for it, but we are quite happy to make that recommendation to the federal government, because we do not have to answer to them, and let them respond and say why they are not prepared to do it." It is just a matter of practical politics.

The other thing I want to respond to is that cross-border shopping is not new. We talked about this as teenagers. It goes in waves. If all of my friends wanted to have a weekend where there were things happening which were not happening in Ontario, where we could buy things, everybody went to Buffalo. It was sort of a part of the provincial culture that you went across to the United States.

What has happened that has exacerbated it is, number one, the economy is in severe recession, which means that

people are looking for their economic interests, and the advent of the GST, which means that a whole range of products that were not captured by the federal tax are now captured. I talk to people all the time and their first attitude is that there is 15% in tax that is added on right there without anything. All of those things, plus the differential on the price of gasoline, the differential on the price of cigarettes, the differential on the price of alcoholic beverages, are compounding the problem.

The problem is not new, but the severity of the problem is relatively new. We are never going to stop cross-border shopping. Right now, the major driver of cross-border shopping is the economic difference, but there are other things that we cannot address, and those are selectivity, variety of products, products that just are not available in Canada, where people will go across and buy it. Price is not the object; it is just that that is the product they want, and it is not available here.

People will be going across the border, and I do not think any government will be able to stop it, or would want to stop it, because it is a two-way street, but there is no question in my mind that it is being exacerbated by all of the things we have heard, whether it is Sunday shopping, taxes or the price of gas, all of the things that are going on. This is what is accentuating the problem and these are the problems we have to address.

The Chair: Might I suggest a form of process here, that perhaps we could go through some of the recommendations we find consensus on.

Mr Jamison: Mr Chairman, I think we have been presented by the opposition with 10 recommendations. I would like to think we would have had the ability to really consider each recommendation and see where in fact we are able to meld our position with yours.

The Chair: Are you asking for an adjournment?

Mr Jamison: I think it is important that we have time to do that. Time is of the essence on this question also, but when we have 10 recommendations in front of us that we have indicated we are willing to look at, I think we should be given time enough to really consider them in their full scope. That, I think, is a logical recommendation and one which would allow us to further evaluate these recommendations and try to give as much attention to them as possible. Like you were saying, it is the government side that will really be the side that will put forward the report.

I would move at this point that we adjourn until 4 o'clock and give us on the government side enough time to really, fully discuss internally within our side the potential of combining a number of the points put forward here today. I would like to thank the opposition for taking the time to put these things together. We may not agree on all the issues, but certainly I think you have worked hard putting them together.

The Chair: Is that the consensus of the committee, to adjourn till 4 o'clock?

Agreed to.

The committee recessed at 1131.

AFTERNOON SITTING

The committee resumed at 1609.

The Chair: I see a quorum.

Mr Kwinter: The clerk is distributing a revised version of our recommendations. There are a couple of grammatical additions in number 1 and number 7. Number 1, as I say, they are relatively minor, but they are there; and, number 7, we just added the word "labour." This is on recommendation 7.

Mr Cousens: Read the sentence so I have it.

Mr Kwinter: "The NDP government should recognize..." You have it there, so you would not know it. You do not have the old one.

The other thing we did is that I took to heart some of the comments about recommendation 10, and I have toned it down and modified it somewhat. You still may not be happy with it, but I think it is less pejorative, and I have done that.

The other thing that happens is that to recommendation 6 on the third page I have added one sentence, again, to address some of the concerns about the Foodland project. This would complement it, because Foodland Ontario deals with some produce and not others, and this would just complement it. That is what has been distributed.

Mr Christopherson: Have we formally started, Mr Chairman?

The Chair: Yes we have.

Mr Christopherson: Then I would suggest that what we do is just follow what we talked about earlier today, first ask the Conservative representative, through you, if they have any recommendations to table.

Mr Cousens: Sorry to say at the present time, Mr Chairman, that I do not have them with me. I know there are some considerations under way, but was there a deadline to have them in today? Is that what you were hoping to have?

Mr Christopherson: As I understand it, at the last meeting there was discussion of the NDP proposals by all parties, and then the Liberals came this morning with their recommendations. Unfortunately there were no Conservative representatives here this morning. We agreed to wait till this afternoon before we start to move on the report. It was, I think, everybody's intention that in the afternoon session of today, we would begin to actually put the report together. I guess we are a little bit on the horns of a dilemma here in terms of where you are at.

Mr Cousens: I do apologize if I am causing any inconvenience to the committee. I do not have the series of recommendations or proposals from our caucus at the present time. I would be prepared to proceed with the consideration of your report. I have just had a chance to glance at the recommendations that have been tabled by my friend the member for Wilson Heights, and I think there can be a great deal of service to the whole committee if they are considered, and if, after that time there are further points that we would want to bring forward, we would do so. I

would defer at this point, in part anyway, at first blush to what Monte has brought forward as being good points, and if there are further ones, I will see that they are brought up at the next meeting.

Mr Christopherson: Okay, then the only amendment, revision to that is that since we tabled first and went through ours, then the official opposition presented theirs and we went through those this morning, I would suggest, Mr Chair, that we return to our original document and walk through those and find out where we have got some common ground. In fact, maybe at that time, as we move through, if the Liberal members want to point out where we are close to proposals they have, we can maybe look at some kind of meshing at that time. Those things that clearly there is disagreement on, we will set aside for the time being, and then when we are finished our document, go back to the Liberal document, and anything that has not been discussed, we would review at that time with the same intent.

Mr Kwinter: Mr Chairman, this is a point of procedure. What I assume happened after the meeting this morning is that the proposals that were put forward by the official opposition were discussed and some were approved, moderately approved, totally rejected, things of that kind. It would be helpful to me to know which ones were in each category, because some of these things really overlap some of the recommendations that were made by the government, and if I knew that this was, for example, recommendation 1 and if I knew that was, in principle, acceptable, that could go to your number one recommendation, which is to participate in some task force. If there was agreement that there would be a lead minister, we could incorporate all of that into one recommendation.

It would certainly be helpful to me if I knew what the feeling was as to what areas were non-starters, and then, of course, we have the option of putting it into a minority report. But it would be helpful to me to know where there was general agreement, so we would be able to look at your recommendations in a different light, as we could then incorporate them.

Mr Cousens: I like the approach that has been tabled by Mr Kwinter. I think in that way we can go through your proposals. Have they been gone through in detail by the committee?

Mr Christopherson: If I can, Mr Chairman, my point answers your question. I was on a different committee when our document was tabled, but it is my understanding that a similar process took place with that document that took place this morning. So it just seems natural to me that we would return to the original document and I think, Monte, all the things you would like to see happen, as we get to number one of ours and we are talking about it, at that point you say, because you know your document better than anyone, "Hey, I think our number one has some room; what do you guys think?" Then we will take it from there and then just move through ours. When we are done

ers, we will move immediately to yours and talk about any recommendations that have not been dealt with. I think that is fair.

Mr Kwinter: Okay.

The Chair: Would you like to proceed then?

Mr Kwinter: Thank you, Mr Chair. Recommendation 1: "That the province of Ontario participate with the federal government and the municipalities in a tri-level task force on cross-border shopping." I will let that stand.

The Chair: Should we just deal with that one the way it is? Does anybody have any problems with that?

Mr Cousens: Do you include the regional governments at that point? Is that what you mean by municipalities or do you want to say the regional municipalities and the local government? In some cases there are not regional municipalities. I mean, down in Brockville you do not have it.

Mr Christopherson: I think there is already a group coalition of municipalities that have offered themselves as representatives to participate on such a task force. That came out a couple of weeks back, when that request and suggestion was first made by municipalities.

If I can just push ahead a little, Mr Chair, item 2 is, "That individual ministries that have an interest in cross-border shopping continue to gather more data on the impact on their ministry and continue to work with local organizations in dealing with the issue." I would suggest that both of those and the recommendation 1 that came from the official opposition this morning could be refreshed—I think that is what we are looking at, just a general agreement—and then we will ask our staff to pull this together based on our discussions. Then in terms of just one minister—again, we are not really keen on a superminister—but a minister be designated who would be the representative on the task force and who would be responsible for co-ordinating the other ministries that are impacted, both the gathering of information and the generating and presenting of recommendations from the various ministries.

In your last point, Monte, the new paragraph, you have caught us flat-footed, and I suspect we might have a little bit of difficulty with talking about specific goals other than to recognize the expediency that we want things to move in. If you could perhaps expand on that to raise our comfort level on it, I think we are open to it. What we do not want to do, obviously, is allow ourselves to be boxed into something that we are going to regret later.

Mr Kwinter: Mr Chairman, if I can just comment, there are two separate issues here. One is that a task force, which is going to consist of federal, provincial, municipal, regional, whatever it is—there should be participation. We have no quarrel with that. If there is going to be a task force, we should be there.

The concern I have is that—and I alluded to it this morning—I would hate to see the province of Ontario, in a task force that had representation, say, from New Brunswick and Quebec and British Columbia and whoever else was in there, come back and say, "Well, this is what the task force decided and unfortunately it didn't address all of our con-

cerns but we were part of the task force and it is a democracy and there had to be some kind of accommodation."

My concern and the reason for our first recommendation is that it is all well and good that we should participate in a task force. If that is going to do some good for us, that is great. But on the other hand, I think we should not be totally captured by that task force, so that if there are things that can be done in Ontario, for Ontario, that we do not have someone who is pursuing that. It may in fact be outside of what the task force is doing.

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I can tell you, this is something that is a very practical problem. When I was the Minister of Financial Institutions, I would go to ministerial meetings, and because the financial institutions were so prevalent and dominant in Ontario, everybody else used to tune out. They had no real interest in what was happening with financial institutions. When you talk about *déjà vu*, I remember meeting with Connie Osterman, who was the financial institutions minister in Alberta, and telling her that unless she took a look at her trust companies and some of the problems there, she was going to find herself in trouble. She said: "There are no problems. We don't have your kind of problems." If you have been following what happened a couple of years later, they had lots of problems. She had to resign as a result of it.

The point I am making is that Ontario is relatively unique in economic terms in Canada. It has 42% of all of the economic activity, and things that impact in Ontario do not necessarily impact on other provinces that may have a problem. I just want to make sure that is not the resolution that is going to be there, that whatever this task force does, that is going to be our response to the problem.

Mr Christopherson: I think I can jump in and alleviate your concerns. I do not think it is in our best interests to allow ourselves to get hedged in that way either. If you want to throw in a clause—and I just jotted down the beginning of a clause, "Blah, blah, blah, shall not prevent the Ontario government from pursuing independent actions"—something that raises that comfort level, I do not think that is a problem at all.

Mr Sutherland: Mr Chair, maybe it is more of a question than trying to combine the Liberals' recommendation 1 with recommendation 2, more or less in terms of the co-ordinated approach of the ministries gathering more information, and just leave recommendation 1 in and of itself. That will allow for both to deal with those concerns.

Mr Kwinter: I have no problem with that.

Mr Christopherson: Whatever works. I think you hear our willingness to recognize your concern and to ensure that the concern is alleviated in the language and the format of the recommendations.

Mr B. Ward: For clarification, Mr Chairman, do we have consensus that we leave recommendation 1 alone and incorporate recommendation 2 with Monte's recommendation 1?

Mr Christopherson: Maybe at this point it would be a good time to just leave the staff with our general understanding.

Mr Phillips: Let them take a look at it.

Mr Christopherson: They are very good, I have found, at the nuances.

Mr B. Ward: The flavour of the discussions.

The Chair: I think there is a consensus around the merging of the two.

Mr Kwinter: Mr Chairman, I would agree that we need recommendation 1, but the government's recommendation 2 is really a laissez-faire kind of attitude, that those who have an interest continue to gather additional data and "to work with local organizations in dealing with the issue." What our recommendation 1 is saying is that we want one minister to be designated, we want him to take action, we want him to be proactive, to go out there and do it.

Mr Christopherson: If you want to walk away from today's meeting with an understanding that your recommendation 1 and our recommendation 2 will be merged in the draft that comes forward, we do not have a problem with that.

Mr Kwinter: Okay.

Mr Phillips: Someone once said, "We don't have to say it, they know what we are thinking." Who said that?

Mr Daigeler: I wonder who that was.

Mr Christopherson: You had better watch it, Gerry, because I think I can go back to some Hansards at this very committee where you said: "Dave, don't worry too much about the details. The staff are really good at taking care of that for us. It has to come back for our approval," etc, etc.

Mr Daigeler: When he speaks, it can be printed.

Mr Christopherson: "If you do not like that one, we have another one," right?

The Chair: Could I just ask at this point if all the committee members are happy with this recommendation 1 merging with the general recommendation from the government's paper? Is that agreed? Agreed.

Mr Christopherson: Moving to our next recommendation, the first one is, "That the Canadian interest rate differential with the United States be reduced to more traditional levels," and second, "That the Canadian dollar be allowed to decline to a more realistic level." Obviously the preamble there is just recommendations that we would make to the federal government that we feel would assist us.

Mr Kwinter: I have a few problems with the wording. Who is to say what was traditional is now relevant? What I would prefer is that the federal government be urged not to hold the interest rates up artificially. What may have been traditional in the past may no longer be relevant. It may be something we will never see again.

Notwithstanding the political rhetoric, I do not think governments have too much say as to what the world market decides the value of their dollar is. I have given this lecture so many times, but just very briefly, the reason the dollar is where it is is that the interest rates are where they are. Interest rates are where they are because the central bank has made a policy decision to keep them at those artificially high levels to try to dampen inflation. Once the

interest rates are allowed to find their own level, then the dollar will find its own level, but that level may not be the traditional relationship with the United States, and that is the point I want to make.

Mr Christopherson: It is a good point and we accept it. I am not sure our friend from the third party does, but we do.

Mr Cousens: The intent of where both the government and the opposition want to go is coincident with the direction that I share. In other words, I agree, but the terminology used by the former minister—and it is just a matter of interpretation and words. Interest rates, I feel, are at too high a level and need to be reduced. They really have to come down dramatically and I think it will stimulate the economy. The word "artificial" is open to interpretation, how real or artificial it is. Let's just sort of move towards more competitive interest rates within this country and allow us to become even more competitive outside this marketplace, so remove that "artificial."

I just do not like the wording, as much as anything. I like the direction you are taking, but change the intent of how you are saying it. If it is going into a report, I could not support the way you have put it here.

Mr Kwinter: We do not have the word "artificial." The point is that the central bank has the authority to set its rate of interest, the rate that it charges to the banks. That, in turn, reflects on what the interest rates are generally. They use that as a matter of government policy to either have tight money or loose money. At the present time, they have had a policy of having tight money because they have felt that the number one economic concern of this country is inflation.

Notwithstanding that the United States feels differently and there is a five-point spread, that is what they are doing. That is a matter of government policy. If the government decided, for whatever reason, that it wanted to subsidize interest rates and it wanted to drive them down to 5% and pay people a subsidized premium, it could do that as well. So it is in fact using those interest rates as a matter of economic policy. Although the term "artificial" may grate, what I am saying is that it is not allowed to find its own level; it is being stimulated by policy.

Mr Cousens: Having said that, I agree. I think it is an excellent recommendation as long as you understand that "traditional"—I mean, what should interest rates be? Did the committee ever come up with an idea of what they should be?

Mr Sutherland: Could I just clarify? The focus of this recommendation was not on where Canadian interest rates by themselves should be; it is in terms of more traditional differential levels between ours and the American rates. We heard evidence in the pre-budget consultation that that is where there has been a change. We know that Canadian interest rates have come down significantly, really, over the last few months, but we still have not seen any impact on the dollar, because of that differential. Again, "traditional" may not be the appropriate word even for describing the differential, but it is key. The focus of

is recommendation is the differential between ours and the American rates, rather than just what our rates are.

Mr Cousens: I concur with that.

The Chair: I might also interject that the dollar is artificially kept high by the feds buying Canadian dollars in the international market, and that would have an impact on what you are saying.

Mr Cousens: You have agreement. It is how it is worded, in such a way that I do not offend my own other conscience.

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Mr Kwinter: Do you have a sense of what we are talking about?

Ms Anderson: I think so.

The Chair: Is it fair for me to say at this point that there is a consensus around the idea and that we can revisit this when the draft comes back? Okay.

Ms M. Ward: Another point on that: I think what we are really looking at too is not just the difference between Canadian and American interest rates but the real interests which you have to take into account, because that is what you are looking at, what your interest rate is and what your inflation is. That is often what you see mentioned, the difference between the inflation rate in the United States and their interest rate, and what the situation is in Canada. That is just an additional point I thought we should consider.

The Chair: Is there any further debate on that point, anything else we would like to add? No? Can we then move on to the next point.

Mr Christopherson: I think so. Okay, number two, any problem with the way it is worded?

The Chair: "Border Controls," is that where we are?

Mr Christopherson: "That the Canadian dollar be allowed to decline to a more realistic level."

Mr Cousens: What do you mean by realistic? Is there any sense as to what that is?

Mr Sutherland: Actually, if I may, we also heard in our pre-budget consultations—I believe it was Alex Thomson from the Royal Bank and a few others—some said as low as 81 or 82, some said maybe even a bit higher, 83, but certainly at least three to four cents lower, minimum, from where it is now. Again, that wording may need to be adjusted.

Mr Kwinter: There are two sort of forces dealing with what the dollar rate should be. Manufacturers, exporters look at it and they say, "If I had the dollar down to 78 cents or 79 cents, I could really be competitive." I remember when the dollar was going up. You have to remember that when the free trade agreement started, it was at 72. When I had people appear before my committee, they said if it ever got to 80 or 81, we would be finished. They thought that was the top level of tolerance where they could be competitive, and now of course it is around 87.

What is happening is that that figure is a direct result of the interest rates. What the government is controlling are the interest rates. It is not controlling the level of the dollar. The market is controlling the level of the dollar. We do not

have enough money in Canada to support our dollar to the point where we can artificially maintain it anywhere. What is happening is that if there is a 5% spread between what the US banks are paying and what Canadian banks are paying, people offshore are buying Canadian dollars because they are getting a 5% greater return on their investment. That, in turn, is making the dollar valuable, and that is what is putting the price up. If you reduce the interest rates, it becomes less attractive. There is no way the central government can say, "We are going to take our dollar to 71 cents."

The Chair: I think Mr Cousens was next.

Mr Cousens: I like what Monte just said, so I defer.

Mr Sutherland: If I may, then maybe what we need to do is take this recommendation 2 and somewhat add it on, as that is the goal of some of the interest rate differential in terms of that.

Mr Kwinter: What I would suggest is we combine 1 and 2 and talk about dealing with the interest rates, which in effect will give a positive impact on the value of the dollar. As I say, I do not think it is a practical situation to tell anybody, "You've got to change the value of the dollar."

Mr Sutherland: Sure, but as I say, the intent of the interest rates was to have some impact on the dollar, so tying them together seems like a good idea.

Mr B. Ward: I may be nitpicking, and it probably would not happen, but if the federal government listened to this committee's recommendations in its wisdom and did allow the interest rates to be lowered, I would hate for the federal government, through the Bank of Canada, to artificially keep the dollar high. If interest rates go down, the Canadian dollar should go down, but sometimes they intercede.

Mr Kwinter: Let me tell you something that is really quite interesting. Interest rates have been falling quite dramatically and the dollar is going up. The reason—that is the point that was made; I cannot remember whether it was made by Kimble or somebody—why it is still going up is the differential that they can make that spread. So it does not matter if the interest rates go down to 8%—

Mr B. Ward: The point I was trying to make was I would not want to see the federal government intercede to artificially keep the dollar high. As long as the market forces are there, it will go down.

Mr Kwinter: They do not have enough money to do that, but right now interest rates are coming down quite dramatically. They are down just at the 10% level and slightly below that. The dollar has never been higher in modern times; it is up around 87 cents.

Mr Christopherson: Can I suggest that we let staff take a crack at what they have heard here? I realize we have not reached a consensus yet and in some things it is best to sometimes let someone take stab at it and then we will look at it in the draft and recognize that this is something we may ultimately not agree on, but let them take a crack at it and then both of us will review what is presented.

Mr Cousens: Agreed.

Mr Christopherson: I will read quickly 1 through 5 just to enter it into Hansard.

"1. That the federal government collect the provincial sales tax at all border crossings.

"2. That if unwilling to collect the PST, then Ontario revenue officials be permitted to review remitted customs forms for the purpose of collecting PST, similar to New York, Pennsylvania and California.

"3. That fast-track lanes should be established solely for American tourists and not for Canadians shoppers returning to Canada.

"4. That more customs staff be hired for greater enforcement.

"5. That the government work with border states to collect our PST on state-exempt products coming into Ontario."

Mr Cousens: Was there a gathering of a consensus on that? I apologize that I have not had the pleasure of being here for all your committee hearings.

Mr Christopherson: It is certainly our loss.

Mr Cousens: I can believe that. I really can.

Mr Christopherson: Then I have got some swamp land for you.

Mr Cousens: I could not afford it with the way the taxes are.

Is there any chance that this committee could support that the federal government collect the provincial sales tax right across the province? Is this the wrong time to bring that kind of suggestion up? What happens is that we need to develop some new habits in tax collection, the whole duplication all over this country.

Mr Sutherland: Can I get a clarification of what Mr Cousens just said? He said, "the federal government collect the provincial sales tax right across the province," not just at border crossings.

Mr Cousens: That is right.

Mr Sutherland: Is that what you were saying?

Mr Cousens: That is just what I said. What is the answer to that? Does the committee have a consensus on that one? Because then that would really mean you just have one collection agency right across the whole province and reduce the cost of collecting it.

Mr Daigeler: The previous standing committee on finance and economic affairs had in fact a recommendation somewhat to that effect. So it would not be a totally new idea to put that forward, not that the committee said it should be done, but that a serious study should be taking a look at the possibilities.

Mr Christopherson: I do not know that we would be really comfortable with that at this stage in terms of the context of this report. I think if the opposition parties want to make that recommendation in terms of tax collection and revenue policies, then there is a time and a place for it, but I do not think we would be too comfortable with that in this report.

Mr Sutherland: That might be one issue to be examined under point 3 of the taxation issues that we put forward, where we call upon another task force of all levels of government "to examine the issue of duplication of ser-

vices and division of responsibilities." That might be one of the items they could examine at that point.

Mr Cousens: Maybe there could just be some reference that there be a future study into that as something that opens it up.

The Chair: Could I perhaps take this one at a time? Is there any debate on the first part of "Border Controls" "That the federal government collect the provincial sales tax at all border crossings"?

1640

Mr Cousens: I would just have to say that there are an awful lot of border crossings. It is a good step forward and I support it, but I also think that it really has to be expanded far beyond that because of all the problems we are having in this country with the duplication of tax collection mechanisms. So I support it, it is a step in the right direction, but I put the qualifier on it and say, "Come on, guys and gals across the province of Ontario, we are digging holes for ourselves because of all the tax collectors we're paying."

Mr B. Ward: Is it possible to merge recommendation 4 of the Liberals into that item 1 under border controls? It basically says the same thing.

The Chair: Are you asking me if it is okay? The committee has to make that decision.

Mr B. Ward: Okay. It is the same.

Mr Christopherson: If I can, just so that we are clear at least on where we are coming from, to Don, I think we are going to have a disagreement on that one and if you feel that needs to go to the next step, then I think you need to look at that individually.

Mr Cousens: Your intent of what you are aiming for here, I am with you. There are other ways of starting that battle.

Mr Christopherson: I am sure we will deal with it.

The Chair: Can I get a consensus that 4 and what is here are the same? Okay? Thank you.

The second part: "That if unwilling to collect the PST, then Ontario revenue officials be permitted to review remitted customs forms for the purpose of collecting PST similar to New York, Pennsylvania and California." Do I have a consensus on that, or further discussion?

Mr Kwinter: I would be a little more comfortable with that if I had some indication from our research staff whether or not this would in fact be feasible under the free trade agreement; whether it would constitute a non-tariff barrier or whether or not there would be reciprocity. I do not think these things can be done unilaterally.

Mr Sutherland: If you remember, after John Winter was here, he sent us another article that he had cut out which indicated that that was going on in those three states. That is why that recommendation has been put forward. So I can hardly see how they could do that type of thing in New York, Pennsylvania and California and then see how it would violate the free trade agreement.

Mr Kwinter: What happens is that lots of practices are carried out, and as long as there is not a concern as

ng as it does not get any profile, they just happen. But the minute it becomes a cause célèbre, suddenly someone launches an action. Before you know it, you are in the bunal.

I would just feel a little more comfortable if we had someone just take a look at it and get an opinion as to whether or not this in fact would create any problems.

Mr Christopherson: Without taking a definitive stand on the substantive issue, let's ask the researchers to give us that information and then we will take a look at it.

The Chair: Okay. "Border Controls" number 3, "That fast-track lanes should be established solely for American tourists and not for Canadian shoppers returning to Canada."

Mr Kwinter: I have a problem dealing with the politics of it. I think for a government to impose these restrictions on its own citizens without imposing them on other people is going to be a political problem. I think people who will be coming back to Ontario will be saying, "Why are these Americans getting preferential treatment when I've been here and I don't get this sort of thing?" without there being some kind of reciprocity going the other way. Again, it may present some problems. I do not know exactly, but it may create more problems than it solves.

Mr Cousens: I share the sentiments that have just been expressed by Mr Kwinter and I guess it depends on the amount of delinquency that we continue to experience in cross-border shopping. If people are continuing to have large numbers of merchandise that are coming through and which we are not collecting our sales tax on, then we will have to continue to stop just every car and collect it. I think that is really what it amounts to. Because if it turns out that everybody is cheating, then I would make sure that we start collecting as it comes across. As it improves, I think that you statistically are in a position to know that every fifth car you are going to have enough there to remind them.

It is the same as when you have speed checks on Highway 401. It takes a while for people to settle in and realize you are going to get a ticket every time you speed between Yonge Street and Highway 427, and it brought the traffic speeds down along in that section when the provincial police monitored it more closely.

Therefore, when you come in with a policy statement that could have a continuing long-term segregation of Canadians from Americans, I think it poses a set of questions as to our own freedoms as citizens in coming back and forth across the border. I would say that what we really want to temper the motion with is a sense that as long as there is going to be a continuation of abuse of the laws of our country as people are coming back, then there will be a closer scrutiny of all people coming through without a separation of fast- and slow-tracking.

Mr Sutherland: A couple of points here: First of all, this recommendation is to deal with the PACE pilot project, which is the one in British Columbia where they are fast-tracking Canadians coming back across the border where you can just pull up, fill out the form yourself, pay whatever duty, put it in the envelope and go on your merry way. We certainly did not agree that that was a way of

dealing with cross-border shopping. As a matter of fact, we just thought that was going to encourage more cross-border shopping. So it is kind of a response to that.

I guess the other thing that relates to this specific recommendation is, we have seen where US Customs now has its auto pass and it is offering that to Canadian citizens going through, I believe, at the Niagara Falls border or Fort Erie, one of them now, and maybe if not this specific recommendation, then Canada Customs should be looking at something like an auto pass for American residents coming through as well, because that is a way of fast-tracking.

The other related issue to the whole issue of cross-border shopping is the fact that the number of American tourists has declined. You can debate what all the reasons are, but there certainly is a general feeling that they simply cannot get across the border because of the long lineups of Canadian tourists coming back. So that is really what we are trying to deal with, those three issues, with this recommendation.

Mr Hansen: I know what Don is talking about there, but the fast-track lane should be established solely for American tourists, not for Canadian shoppers. Those are people who have something to declare. I think the wording just needs to be changed a little bit, because if I go over to school in the United States, which I did for years, I do not want to be held up by people who have to do declarations. I have gone there for one purpose, to go over to school, visit my aunt over there, whatever the case may be.

We are talking about non-shoppers. What is written in here is a Canadian shopper and they are just going to slow up the traffic coming back in if you have all these shoppers making declarations in this express lane. So I think it is mainly the wording here and I think you would go along with that, Don, that maybe we just change the wording a little bit there to make it look more like it is a Canadian shopper who has something to declare.

Mr Cousens: There is a concept involved and I like the balance that Mr Hansen is coming in with, but you see, if we have more customs staff hired—and we have got to have greater enforcement, and I have a belief that once we have stricter enforcement, number 3 is not going to be as required as it is right now. I think we need a lot more enforcement right now, but that is just one guy's view right now and I hope it diminishes to an extent that we can go back to traditional levels.

Mr Hansen: I think more enforcement will slow down the process also, so you are going to wind up, if you do not have these fast-track lanes—but I can tell you, I can remember going to school. You brought something back worth \$2 at that time, you did not dare bring it back in case they would impound the car. As it is now, there are so many going across, everybody says: "They're not going to do anything to me. I'll go through the express lane that I haven't got anything. If I get caught, I'll just pay \$10 or \$15 or lose the bottle of whisky." I think the enforcement is a very important part of it on these express lanes, so that if you get caught in there, it might cost you a lot more than just paying the duty on a bottle of whisky or a carton of cigarettes.

Mr Christopherson: Are we maybe comfortable at the point where maybe we would ask staff if they want to recommend a word change? The intent, obviously, when we do these, is that staff is asked to try to find a common ground in terms of the language and we will take a political stand based on that at our next meeting. Okay?

Mr B. Ward: I think the intent was that we should be encouraging American tourists to come as quickly as possible.

1650

Mr Hansen: Could we use the word "visitors"? That would cover "Canadian", because that could be a visitor in the United States returning back to Canada. It could be an American tourist or a Japanese tourist, or visitor.

The Chair: Are we comfortable with that section?

"4. That more customs staff be hired for greater enforcement." Can we be happy with that?

"5. That the government work with border states to collect our PST on state-exempt products coming into Ontario."

Mr Kwinter: Can I just get clarification of exactly what is being addressed with that?

Mr Hansen: I gave the example of what was happening at the border as it is right now, that if you go over and order a pool in the States, they will bring it back over here to Ontario. As it is now, they take the state tax off, they do not add 8% on over there. There is no duty. You only pay the 7% GST and the duty on the pool, which might be 8.5%. They tell you clearly that there is no Ontario sales tax coming in. These products are coming in exempt, but if it was a rule that anything sold in New York state, that dealer when he is bringing it to the border would have to collect that money for the Ontario government at the point of sale—

Mr Kwinter: The reason I am querying it is, why is it any different than recommendation 1?

The Chair: Could I help there a little? Recommendation 1 is collecting sales tax at the border. If I understand Mr Hansen's explanation, you are asking the vendor in New York, say, to collect the Ontario sales tax and remit that and become a tax collector for the province of Ontario.

Mr Hansen: We are looking at a whole bunch of areas here. If we can collect at this point until we get an agreement with the federal government, it is one step forward. Rather than taking one big giant step, let's take some little steps to get to this point. Then maybe we can explain to the federal government: "Look, we already are doing this. It would make it a lot simpler if the collection could be done right at the border all at once."

Mr Kwinter: My question is that if the federal government decided tomorrow that it would in fact collect the provincial sales tax, there would be no reason to have that particular provision.

Mr Hansen: That is correct.

Mr Kwinter: That is where I was a little confused. I thought that if you get both of these recommendations, you do not need both. I do not know whether you want to do it because it immediately sends a signal out you do not expect the federal government to collect the tax, but what I

am saying is that there should be some mention in there that if the federal tax is not being collected, then at the very least this should be done.

Mr Hansen: I think the staff should change the sentence at the beginning, rework it there to make an explanation that if it is not collected at the border then possibly this is another area that can be done.

Mr Christopherson: I am seeing an indication from staff that they are comfortable with what we have said.

Mr B. Ward: Ron has been talking about that pool since we started the meeting.

Mr Christopherson: All his neighbours have one.

The next page takes us to our next subject, under the heading of "Retailing and Marketing." I will read it for the record:

"1. That Ontario retailers become more aggressive in their marketing through the use of such techniques as discount cards for American shoppers, more selective advertising, and putting American prices in ads.

"2. The Ontario Milk Marketing Board (OMMB), grocery distributors, retailers, gas companies and their dealers engage in a joint marketing strategy involving coupon exchanges for milk and gasoline.

"(3) That retailers increase staff training and product knowledge and service."

I think now might be an ample opportunity, Monte, for you to jump in with some of the recommendations you made about the Ontario seal, and see if we cannot mesh this.

Mr Kwinter: In this whole retailing and marketing area we really cover some of the same things and expand a bit more, and that really has to do with recommendations 6, 7, and 8, our three recommendations that cover the same areas. When we talk about the service culture, we deal with it in your recommendation 3, recommendation 6 is covered in some way in recommendation 2, and our recommendation 8 deals with recommendation 1, so if we could just incorporate the good parts of ours and get rid of the bad parts of yours, or vice versa—

Interjections.

Mr Kwinter: I said "or vice versa."

Mr Cousens: Look at this one here in recommendation 6 that the member for Wilson Heights brought in, in paragraph 2, "as announced by the Liberals." I mean, gracious sakes. The fact is that they still have not been done and they are still not all in place, but we have a high goal and expectation. It is still a good recommendation, except for those few words.

Mr Christopherson: We accept the fact that the opening gambits are entitled to be as partisan as hell, as the closing positions of everyone can be as partisan as everyone likes, but the middle ground, when the staff come back, is going to be as neutral as possible and that will be the formal report.

Mr Cousens: I just let you know that I am still awake.

Mr Christopherson: On behalf of the government, we would be comfortable to let the staff take a run at that

eshing, similar to what Monte has outlined, and see what e come up with in the draft.

Mr Cousens: Could I add one recommendation? Whether or not it fits in here, there is a tremendously large misunderstanding among American visitors to our country who do not realize that the GST is a recoverable tax when they cross back into the States. Is this the place where we could do a little bit of promotion on the positive side for visitors to our country on going back, because I do not think we are doing it all that well right now. They are discouraged from coming across the border because of the value of the dollar and because of the lineups and a number of other reasons. There really have got to be two things. One is a better explanation to US shoppers coming into the country that they can recover the GST portion of the tax. That would be one recommendation. The second one I think has to be done is the extent to which we are advertising and promoting in the United States to get shoppers to come up here. Is that a part of the equation that this committee is looking at or are we only or exclusively worried about Canadians shopping in the US?

Mr Hansen: If you read "Retailing and Marketing," you have to understand we have been talking about this for about two months now, so we have sort of condensed it. That Ontario retailers become more aggressive in their marketing" and then we got a few examples, but we already went over the rebates at the border, the Ontario sales tax and the 7%, so we sort of incorporated that right in here.

Mr Cousens: That is included.

Mr Hansen: Being here for a long period of time, and talking in one day, I understand the problems. We all know this already, in a sense, but we just did not lay it all out.

Mr Cousens: That is included in the thinking—

Mr Hansen: Yes, the marketing aspect of it.

The Chair: It does raise an interesting point, though, about making sure that when the report is written people who are reading it for the first time will understand that.

Mr Duignan: I quite like Mr Cousens's suggestion, especially if we do it the same way it is done in some of the European Community countries, where actually the retailers do an aggressive campaign around the whole idea to visitors that they can get their tax back when they leave the points of entry, both at airports and at border crossings. They have a really aggressive campaign, and hopefully his committee has taken a look at that.

Mr Cousens: I appreciate that. The other half of the equation, though, is the extent to which we are trying to attract American visitors to this country. Is that part of your discussions or presentation at all? It is not as explicit in the three recommendations here as I would maybe have liked to have seen it.

Mr Sutherland: Going back to the border crossings, I think that was one area where we had mentioned about the fast-track lanes in terms of helping and abetting. If need be, if we want to list a few options under "Retailing and Marketing" to give people some advice, we tried doing

that in ours in terms of just picking up on some of the things we heard, such as the discount cards. I think again of Goodyear or Goodrich down in St Catharines which now advertises the American price for tires along with its price when it is putting ads in the local paper, so people know what the true difference is. There are those types of things. We are hoping that people will be able to pick up on what the different techniques are if they have some of the background information attached to the report.

1700

Mr Hansen: I think one thing we are looking at here is actually how we could stop the stream of shopping over the border, but we do have the problem there and try to realize some of the other problems that we have at present and try to correct a few of them as we are going along with this report. This fast lane would help the tourist industry here in Ontario also. We are looking at some other things other than just people going over the river and shopping, but what are the complications at the borders?

Mr Cousens: I guess I am raising a point that has been a hobbyhorse for me for some time. It has to do with the attractiveness of the Ontario marketplace to outsiders, and our environment, our history, our way of life, our culture. There are so many things that make people want to come to Ontario. During the regime of the last several years, the advertising has not been all that effective in increasing the number of American tourists. In fact, there has been a decline over the last several years for a combination of reasons, the cost of the dollar and whatever reasons.

To me, it could be one way from within this committee, to go back to the province, to the Ministry of Tourism and Recreation to increase—I do not want to say the money, but to make sure that they are giving a good focus to American tourists on why they should be coming into Ontario and what the advantages are so that we have got an effective program to entice or to encourage or to trap, to bring across the border people with money and something to do within our economy. I just think this could well be a place to do it. We are talking about retailers doing advertising, but the province also has to have an effective mechanism to make it happen.

Mr Duignan: Again, I have to agree with Mr Cousens. The problem of cross-border shopping is two-way. We have to stop the flow going to the States as well as encouraging tourists to come here. I was recently in Europe and some countries aggressively market the whole idea of getting the tax back to attract tourists to their countries. It is done very simply. What happens is that when you buy something in a store, you take your receipt and go to the local service desk. They fill out a form and when you leave that country, you put it in a slot and the revenue people of that particular country mail you the tax back in the form of a cheque. Or in some cases you actually get it back on the spot, at the border crossings. I think the committee should seriously take a look at that and make some recommendations.

Mr Christopherson: I think again, as Mr Hansen has pointed out, it is unfortunate that the two previous speakers have not been here to listen to the development of the

discussions. When we get to page 5, there is a comprehensive recommendation there that deals with what is under the heading of "Education."

Mr Cousens: We do not go to page 5.

Mr Christopherson: In ours.

Mr Kwinter: Page 3.

Mr Christopherson: Sorry. Mine is a copy that has more of the explanatory notes on it for members of the committee. I understand in the pages that you have it is on page 3.

Interjection: It gives you the bare facts.

Mr Christopherson: That is right, just the facts. It is like Dragnet. Anyway, that should cover the concerns both the previous speakers have.

Interjections.

Mr Christopherson: Mr Chair, I believe recommendation 2 is in order.

Mr Kwinter: Where are we now?

Mr Christopherson: Recommendation 2 under "Retailing and Marketing."

The Chair: The Ontario Milk Marketing Board?

Mr Christopherson: Yes.

The Chair: Does anybody have any comments?

Mr Kwinter: Other than it should be incorporated with our recommendation 6.

The Chair: Okay, 6, 7, 8.

Mr Kwinter: Recommendation 6 really addresses number 2, recommendation 7 addresses number 3 and recommendation 8 addresses number 1—those three areas.

Mr Sutherland: If I can just add, on number 2, anyone looking at that should not look at it as limiting by only mentioning the milk marketing board. I think there is a lot of option there for other of the supply management areas to become involved in that type of marketing scheme.

Mr Kwinter: Why don't we just take out "Ontario Milk" and leave "marketing boards?"

Mr Kwinter: Okay, sure.

Mr Phillips: What about the brewers? I would like to see brewers included.

Interjection: Beer in corner stores.

Interjection: It worked once, you know.

Mr Phillips: Where did Floyd get his shoes resoled?

The Chair: I have a place in my riding, and he really is very good. Just throw them in a bag and I will get them done.

Mr Cousens: On 3, one of the things is that probably for every good deed that is done, only two or three people hear about it. For every bad deed that is done, about 10 people find out about it.

Mr Christopherson: Yes, we found that out.

Mr Cousens: Yes, we did in 1985 too.

As it stands now, what happens is that you have some retailers out there who are just insensitive to the needs of visitors to their community and their shops and so on. I do not know how you do it. The Better Business Bureau is probably

one of the better ways in which we, as a community, police ourselves. Probably the best policeman is when people stop shopping at a store because the stores do not do it.

To me, when you start talking about point 3 you are talking about chambers of commerce and ways in which we, as a government, are working with the community so they can help themselves and build those marketing things.

It becomes rather an empty statement. It is almost like the preacher in church saying to the empty pews that they should be filled. What you want to find is a way of getting a mechanism so those storekeepers who are not really being responsive and doing their job are really responding to the opportunities that are on their doorstep.

The fact of the matter is that a tremendous amount of stuff is done through the Ministry of Industry, Trade and Technology to give them data and information on the types of people who are coming across and the types of people in their communities—learning workshops, marketing programs. It is a matter now of not just saying "the retailers increase...." It can well involve all levels, where the government is working with the community and through the boards of trade and chambers of commerce to make that circle complete.

To me it would embellish that fact with a little bit more meaningful meat if it had some of those tangents on it to make that happen, rather than just a bold statement. We are never going to get the dumb retailers. They will just be out of business and they will have missed it. The opportunists and entrepreneurs will find ways of finding that.

Mr Sutherland: I think Mr Cousens's direction in terms of the support MITT gives is fine. We had MITT in and we know the support it is in terms of marketing and other areas. Recommendation 3 was specific—staff training, development, product knowledge—because several of the surveys done in the cross-border communities highlighted that service was one of the areas—obviously not the major one or the only one, but it seemed to be a consistent area coming up—where there was some concern.

1710

We also had a couple of presentations here where we know of areas where they do very good training. The shoe retailers' association indicated that it has a specific program designed for many of its retailers in terms of product knowledge and service and training, but there were other areas that seemed to be severely lacking. Some of us, from our own personal experience, thought that staff training in some cases was poor. That is why we have focused specifically on retailers. That is not to take away from the comments you made about MITT, but that was one specific point that was highlighted.

Mr Kwinter: On that point, the difference between our recommendation 7 and your recommendation 3 under "Retailing and Marketing" is that your recommendation 3 calls for retailers to increase their staff training on product knowledge and service. What we are saying is that this should be part of the skills development program and that the government should take the role, realizing that instead of training there are other areas of skills training. Most people think it is teaching someone to operate a computer

teaching someone to operate a machine tool, but it is just as valid to teach someone to provide a service. That it could not be sloughed off as being, "Well, that's something that can be done by non-professionals," or something that can be done just on their own. That is a valid training program that generates business revenue and economic development.

Mr Christopherson: Your point is well taken. We accept the concept you are putting forward.

The Chair: "Sourcing and Distribution."

Mr Christopherson: Under that heading, number 1, "That a more comprehensive analysis of wholesaling and distribution network be undertaken to examine the reasons for the extra cost and alternatives," and number 2, "That the committee does not support increased foreign sourcing for products manufactured in Canada." I believe this may nicely with the Liberals' recommendation 9.

Mr Kwinter: Mr Chairman, I have no problem with number 1. Number 2 is a weird statement. I am sure it was not intended to be, but if you read it, it really says we do not support foreign sourcing for products manufactured in Canada, which means we should not be buying Canadian products in foreign countries. That is not obviously what you are saying. What you are really saying is that we should not be buying a foreign product if that same product or a comparable product is made in Canada. I assume that is what that is meant to say. It is not what it says, but that is what it is meant to say. Is that correct?

Mr Christopherson: The correction stands, yes. You are right.

Mr Kwinter: The point then is that we get to the basic philosophical problem of cross-border shopping. Today the Minister of Revenue stood up and said, "We are not going to in any way prevent people from cross-border shopping." We are in a competitive situation. We have to try to make ourselves more competitive. In the final analysis and in the ultimate resolution, if we are not competitive there is nothing we can do about it. You are not going to stop people from going across that border and buying.

By the same token, if a product is made in Canada and costs 10 times what it does to make it anywhere else, it is very difficult to say we are not going to encourage people to buy it. What you really have to do, and it is coming up a little later on, is this whole educational program, that if it can be bought in Canada and if it is competitive, then buy Canadian. I think you will have a tough, tough time trying to tell someone, "Look, you're going to pay six times what it's worth, but it's made here, so buy it." They are going to look at you and laugh and they are going to say: "Thanks, but no thanks. I'm not going to buy it."

What you have to do of course is the whole restructuring of our economy. We are going to have to get out of that business where we are not competitive. And what we have to do is where we are competitive and where hopefully we will be competitive, we have to convince people they should be buying it here. I think there is a problem if you think you are going to be able to convince people to pay more for a product when they can buy it somewhere else just by a sort of program of saying "The job you save may be your own" or whatever it is. It is something that sounds

wonderful when you are discussing it in a committee, but I can tell you, the guy who is sitting there is saying: "Screw you, I'm going over and I'm going to save some money and I'll worry about the other thing. I'm paying my taxes. You guys look after that. But if I can save the money, I'm going to save the money, because I've got lots of problems. I've got lots of bills to pay and I'm not just going to pay money just for the sake of paying it." That is a concern that I have.

Mr Duignan: I happened to be down in the southern part of the United States last week, and they have a campaign down there to buy made-in-USA products. There sometimes is quite a big differential between what they produce and what the foreign product was on that particular shelf. It was working very effectively down there as well. There were a number of slogans such as "Keep Your Jobs in the US," etc. I may not agree with how they worded some of them, but it is working and it is working very effectively down there.

Mr Kwinter: If I could just respond to that, I have a place in the States that I spend a bit of time in and I have seen those campaigns. With all due respect, those campaigns are waged by the unions, and rightfully so. They are trying to save their jobs. But I can tell you, when you go into shopping malls, people look at the price tag, they look at the quality, and if it is made in Yugoslavia or made in Taiwan or wherever it is made, if that is the product they want to buy, that is what they are going to buy. Without question, the hard-core unionists and the guys who are out there may say, "Look, I'm prepared to pay extra to save my job." But when you consider that the people who belong to unions represent about 30% of the population, the other 70%, and many of the ones even in that 30%, are going to shop their economic interests, all things being equal. I can tell you that my wife happens to be that kind of person. All things being equal, she is even prepared to pay a little premium if it is Canadian. She may be dumb but she is not stupid. She is not going to go somewhere and see a product that has exactly the same value, the same quality, and say, "I'm going to pay twice what this is, just because it is made in Canada." They are prepared to pay a premium, but you have to decide where that differential stops.

Ms M. Ward: I just wanted to comment on maybe where this recommendation came from, some of the background. I believe we heard one of the presenters talking about grocery products; I think it was Pepsi or Coke. He reported that the product could be bought much cheaper, the retail price was much lower in the States than the wholesale price was here in Canada. I think this might have been Mr Winter; I do not recall for sure. He said he did not know where in the distribution chain this happened, and there was discussion at that point about allowing retailers to go and buy in the States at the wholesale level to get the cheaper costs. I think that may be the source of that recommendation, that the retailers could go and buy the very same product, something like Coke or Pepsi, a lot more cheaply over there wholesale. Part of the

difference, I assume, is in the distribution, maybe in labeling where we have the bilingual requirements.

The Chair: I think the retailers are saying that they wanted to use American distribution networks and that this was directed to say that—

Ms M. Ward: That is the point that I wanted to make.

Mr Kwinter: Mr Chairman, we have a situation that is quite interesting. The wife of one of our members has a retail store. She finds that she can buy cheaper at the Price Club than she can from her wholesaler, and that is in Ontario. It has got to the point where they set aside one day for retailers. The retailers come in, buy the product and then go out and sell it at a markup. They sell it at a price higher than what any individual can who is a member of the Price Club, by just going into it. Of course, what they trade on is the convenience of not having to go to the Price Club, which may be four, five, seven miles away. Again it gets back to the point where, if you are in business and you want to make a profit, you are going to buy where you can buy the cheapest and sell at the highest rate of return. If that means you are going to go across the border, then you are going to do it. You are not going to go out of business and salute the flag as you sink into this mire of bankruptcy and say, "I may have gone down, but boy, I bought Canadian all the way." It is just not going to happen. They are going to go out, and if need be, they are going to buy where they can buy it.

1720

I have no problem at all with a campaign that highlights the fact that when you buy in the States you are doing yourself, you are doing your neighbour, you are doing the economy out of this economic thing and to try and encourage people to do it. Where I do have a problem is where there is an overt intent to almost prevent people from buying things just because they are cheaper and to say, "We don't want you to buy anything that's cheaper if it isn't made in Canada." That is where I have the problem.

Mr Duignan: Very briefly on that point, my whole point on the whole issue is that if people had a choice, and knew they had a choice because the made-in-America article was very clearly identified with a tag that said on it, "Made in the US," then the people have a choice whether to buy it or not buy it. I think that is an idea we could look at, that the stuff made in Canada is clearly identified as made in Canada with a tag on it.

Mr Christopherson: A couple of those points were covered under the recommendations. Certainly the discussion is not wasted or lost, because the explanations given by the former minister, who has a great deal of experience here, is respected and in many cases educational for new members of the Legislature.

However, if I could bring us back to the matter before us, on item 2 we could have the wording changed to correct the misunderstanding based on the way it is worded and a commitment to our colleagues across the way that we will review the principle based on what has been suggested here and see whether we want to remain firm or amend this in some fashion.

Mr Kwinter: If I could, I would like to suggest that should really be in conjunction with the last item, under education 1, because it really is part and parcel of the whole thing.

Mr Christopherson: We will take a look at that.

The Chair: "Taxation" is next.

Mr Christopherson: "1. That the Fair Tax Commission be encouraged to speed up its examination of the property tax base to fund municipal services.

"2. That the provincial government continue discussions with the municipalities over issues of responsibility and funding of services.

"3. That a task force between all three levels of government be established to examine the issue of duplication of services and division of responsibilities with the purpose of making all levels of government more efficient."

Mr Sutherland: I need to make one clarification on item 1, examination of the property tax base to fund municipal services. Maybe that should say "the property tax base to fund certain services," in terms of some of the discussions that have been going on around that area.

Mr Kwinter: I have no problem with any of those three recommendations, other than I would like to see our new recommendation 10 incorporated in them as well.

Mr Christopherson: Yes, we have no problem with that.

Mr Kwinter: What I am saying is that you cannot point your finger at all these other guys and say, "But we're okay." I am just saying that you have got to incorporate your own obligations and responsibilities as being part of the problem.

Mr Christopherson: I will tell you what. We appreciate what you have said and we appreciate the fact that you revised a rather harsh first draft. In fairness, we still have some difficulty with this kind of wording, but we will submit to the staff, if you will, a counterproposal and then let you comment back on that in the draft. If the staff would be good enough to remind me in my office that we made that commitment, we will get it to you by the first of the week.

Mr Sutherland: That makes sense. If I just may make one comment on what Mr Kwinter said, I would think that in terms of all the final discussions around particularly 1 and 2, the type of comment he made would have to be taken into consideration anyway.

The Chair: Consensus? Okay. "Education" is next.

Mr Christopherson: "1. That the government of Ontario engage in a comprehensive education campaign to demonstrate the impact of cross-border shopping and the benefits of shopping in Ontario. This campaign should be conducted in conjunction with business and labour education campaigns of their own members similar to what the Ontario Teachers' Federation (OTF) has done."

Mr B. Ward: I think we expanded on that as well as we held our discussions on all the other issues about what needs to be done in the education aspect.

Mr Sutherland: I just think it is very important to iterate with this recommendation that we have heard a lot of calls for education, and we saw what OTF did sending out the notice to its own members and having it put out on the boards, but I think if we are really going to have an impact, it is important that government campaigns be coordinated with private sector campaigns and with organized labour campaigns to have the true impact. The campaigns done individually, while commendable, I think, by themselves do not have as great an impact.

The Chair: Further discussion? Okay, that ends the session for the recommendations for the government.

Mr Kwinter: Just for the record, I want it understood that we have our recommendation 2 and our recommendation 5 that we would certainly like to discuss at another time, but I think we have already talked about it this morning and we could get the staff to prepare the comments based on what we have done to date, and the members of the third party will be coming forward with something, I would assume, at some time.

The Chair: Any comments on those two sections from the government party?

Mr Christopherson: On recommendation 2, clearly we are going to have a major falling out there, and I do not think that comes as a shock. On recommendation 5, how far off are we, in your opinion, Monte, from what we have got on supplies? Are you suggesting that is a whole different area?

Mr Kwinter: What we are doing is saying it is almost like Mr Hansen's description about the tax-exempt. We are saying, if you are going to address the whole area of supply management and either eliminate it or not, whatever, that is fine, but if it is not going to be addressed, I think one of the big problems that we have got is the quota system. What is happening is that we have a situation that is kind of bizarre in that we have quotas.

I will give you a perfect example. My family is in the food processing business. We are the largest producers of processed eggs in Canada. We work on a quota. There are times when there are incredible quantities of eggs that are not made available, only because of the supply marketing system. Yet those products, in order to supplement shortages, will be brought in from the States. Other parts of Canada have ample supplies, but because of the quota system, they cannot be accessed.

What we are saying is that there is an opportunity to rationalize the market and get it to the point where a consumer can benefit if we can take a look at the whole quota system. That is really all that talks about.

Mr Christopherson: Thank you. I appreciate that. It is very helpful. I think we would be comfortable right now in including a recommendation that there be a review of the quota system outlining some of the concerns you have.

I have to say that we have not had a chance to talk through in detail the temporary import licence issue and what we would like is a chance to review that and maybe be prepared to comment on that when the draft comes down. We would not like to see that in the draft right now,

but we will commit to you that we will review it ourselves and be prepared to discuss it at the next meeting.

The Acting Chair (Mr Sutherland): Are there any other recommendations that we have not dealt with from either two of those documents that we have had presented?

Mr Christopherson: Our document is completed.

The Acting Chair: If that is the case, I do not know if there are any additional recommendations we want to deal with at this time. Maybe we could just ask Mr Cousens—I am not sure if he will be back next week—if he could inform his fellow caucus members, if they would be willing to come forward. I think we are pretty close to tying things up.

Mr Christopherson: Just a comment before Mr Cousens responds so he can maybe consider this also. Although we have not set where we are going after this issue—we all know that is still up in the air right now—there is a chance that we could wrap this up completely in terms of finalizing a report at the next meeting. If there is a way your submission could still accommodate that time frame, I think we would all appreciate it very much, especially if we move on to budgetary considerations.

Mr Cousens: I do not think we have any desire to hold it up, having had a chance to see where the committee has gone. If it is—I do not think it is going to be—it could be one recommendation. I am not sure what it would be. I think there is a good consensus in this room right now and I respect the spirit in which both the Liberals and the New Democrats have proceeded with it. If there is, it is something unbeknown to me at this point. So it would not change an awful lot of the work that researchers or others would be doing.

Mr Christopherson: If you could carry that back to your caucus, we would appreciate it very much.

Mr Cousens: I will.

The Chair: Are there any further comments on the recommendations or any further recommendations at this time?

Mr Christopherson: No. I think we can move to just a quick discussion of when we can have the draft ready, and then if that is acceptable to all of us, I think we are ready for an adjournment motion.

Ms Anderson: Do you want it before the next meeting or at the next meeting?

Mr Christopherson: Before would be preferred.

Ms Anderson: So we will try for some time on Wednesday.

Mr Christopherson: I have to look at schedules. We are going to need a caucus meeting, and I am sure the other parties will too, before we can take a final position. If we cannot get it until Thursday morning, as long as the majority of our committee is available for a meeting in caucus, we can do that. That would be next Thursday.

Mr B. Ward: So that would be the agenda for next Thursday at 10.

The Chair: This is on the agenda for next Thursday at 10. Perhaps the suggestion could be that if we could have

the document by Wednesday, we do not have a committee hearing on Thursday morning but have time to review it and then meet on Thursday afternoon. Is that a possibility?

Mr Sutherland: The only difficulty in doing that is that if the Tory caucus is coming forward with its recommendations, we may want to meet at 10, hear their recommendations and then maybe break earlier and then come back in the afternoon to finish off.

Mr Cousens: Go with the Thursday afternoon. I see us all being pretty adept at coming through and around words. Do not get yourself into extra meetings right now.

The Chair: What is the consensus? Should we meet for a short time at 10?

Ms Anderson: I can get it to you by Wednesday morning.

The Chair: The researcher has just indicated that they could have the draft to us by Wednesday morning. Meet Thursday afternoon? Okay.

Mr Christopherson: Give us half a second. Mr Chair, what we would recommend to you and our colleagues across the way is that if we can have the document Wednesday morning, we would like to attempt to meet Thursday morning at 10, and what we would suggest is that the committee empower you to contact or have the

clerk contact on your behalf each of the three parties, and if all three are a go, then we will meet at 10 o'clock Thursday morning in the hope that we could wrap it up by the end of the day. If one party is not ready, then that will be enough for us to hold off until 3:30 Thursday afternoon, at which time everybody is expected to be ready, and we will try to deal with it in that time. If we cannot, we will meet again the following week.

The Chair: Okay, that clears that item up.

Now the next item is, if you recall, on 22 April we had the researcher and the clerk go to the meeting in Niagara Falls that unveiled the federal government's investigation into cross-border shopping. There is a follow-up meeting on Monday 17 June 1991 at the Mississauga Ballroom of the Airport Hilton Hotel at 10 am, running to 2:30. The question is, it is \$40, the participants are \$40. We need a motion to either allow them to go or to say no.

Mr Kwinter: I move that we allow them to go.

Mr Cousens: I second that.

The Chair: That is quick. Are there any other items of business before this committee is adjourned? No? Thank you very much. It was a very good working afternoon. This committee is adjourned.

The committee adjourned at 1736.

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Cross-border shopping

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 6 June 1991

The committee met at 1017 in committee room 1.

CROSS-BORDER SHOPPING

The Vice-Chair: I believe we are close to having a quorum here, so maybe we should get started since we are running a little late this morning. I call this meeting to order. I believe we had agreed at the end of the last meeting that we would wait and see if the Progressive Conservative members of the committee would be coming forward with recommendations. We have not received any and we do not have any of their members present.

We also agreed that we would just check with both caucuses and see whether they had received the second draft of the report in time and had had time to go over what had been submitted and were ready to discuss that.

Mr B. Ward: Just a clarification, Mr Chairman: I may have missed it. Have we contacted the third party to make them aware that the meeting—

The Vice-Chair: If you remember at the last meeting, Mr Cousens, who was here from Markham, was going to pass on the message to his fellow—

Mr B. Ward: So they are aware that we are meeting today?

The Vice-Chair: Yes, yes. Have both caucuses here had time to go over and review?

Mr Kwinter: Mr Chairman, we have not taken this to caucus, only because I wanted to wait until I knew what the final recommendations were going to be. I did not want to go to caucus with this and then find out that the Conservatives are coming in with some recommendations and then have to go back. I have gone through this and I have a couple of minor questions about positioning of some of these recommendations. There are three recommendations we will put in that have not been adopted, but we would put in as a minority report. Aside from that, I have no real problem.

The Vice-Chair: Okay. Has the NDP caucus had time, then?

Mr Christopherson: Yes, we are all prepared.

The Vice-Chair: Okay. Just before we get into that discussion, I should make you aware that Anne Anderson has passed out a couple more reports regarding provincial sales tax collection and the free trade agreement. We also have one from Dave Rampersad on a comparison of support for supply-managed commodities, USA and Canada, and then we have an article out of the Wall Street Journal about The Challenge: Merchants Mobilize to Battle Wal-Mart."

Anne would like to make a few comments on the report on provincial sales tax collection. She was able to talk to some people late yesterday and some of that information was not put in the report or needs to be clarified.

Ms Anderson: I just wanted to mention to the committee that, of all the people I talked to, no one felt the question of collecting sales tax at the border by reviewing federal documents would be contrary to the FTA. At the same time, none of them seemed to have looked at that question in very great detail.

I have spoken with a trade lawyer in the Ministry of Industry, Trade and Technology who specializes in FTA issues. She got back to me late last night, saying that she did not see that there was a problem with the federal government's forwarding to the province the information about the customs documents that it receives at the border. She is going to submit a written response to that and I will forward that to the committee as soon as I get it. It should be early next week.

Ms M. Ward: Could I ask a question in semi-relation to that? There were some comments I heard on the radio claiming that such a practice could violate the Charter of Rights. Has any investigation been done into that aspect of it?

Ms Anderson: I have not looked at that, no.

Mrs Sullivan: I understand that perhaps the British Columbia Civil Liberties Association is challenging the British Columbia government on its decision to make the request of the federal government. We might want to look into that. It is certainly not clear-cut.

Ms S. Murdock: My understanding on the point Mrs Sullivan made is that it is under the freedom of information and protection of privacy and it could contravene that act, and that is how it is being challenged by civil libertarians.

The Vice-Chair: In terms of the federal government passing on information to the provincial?

Ms S. Murdock: Passing on the information on which the right has not been waived, yes.

The Vice-Chair: Okay. Any further discussion on that point?

Mr Kwinter: Not on that point but on the other document you referred to, and that is the Wall Street Journal story about Wal-Mart. This really highlights a problem that I identified very early in these hearings, in that right now we are facing the cross-border shopping problem, but there is another problem looming on the horizon and that is the advent of the food clubs, the companies like Wal-Mart.

What it is going to do is create concern among small retailers in our communities that once one of these companies establishes itself, we are going to have exactly the same problem except, instead of being cross-border, it is going to be cross-town. That is something that is there and I really do not know how you can really stop it unless you are going to really get into the point where you are interfering in the free enterprise system.

But it is something that we should certainly be mindful of because it is going to be a problem and it is just going to compound the problem for the small retailer. He is going to be confronted and, I think, will continue to be confronted, with the problems of cross-border shopping. To add to his burden, he is then going to have to worry about cross-town shopping in these megastores which have very much cheaper distribution costs because of their economies of scale. They will be able to sell products cheaper, and we are going to see some, I think, very serious dislocation in small-town Canada with the advent of these stores.

The Vice-Chair: Any further comments on the Wal-Mart article? If I just may add one thing, when one of the groups was here, either the retail council or one of the others, they had made some suggestions about how small-town people are going to have to do more boutiques and find that individual-level niche as a way of attempting to survive those types of things.

Mr Phillips: Just a point of information. I used to think Mr Hansen was the Vice-Chair on this committee. Has there been a quiet coup?

The Vice-Chair: No, there has been a change. Mr Hansen got promoted to Chair of the standing committee on regulations and private bills and I got demoted to Vice-Chair of this committee. I do not quite look at it that way: I look at Mr Hansen being promoted; I just look at mine as a lateral transfer.

Mr Phillips: These are the little things I watch all the time.

The Vice-Chair: It was done officially at the committee, okay?

Mr Phillips: It was done here.

The Vice-Chair: Yes, the change was officially done at one meeting.

Mr Phillips: Oh, strike that from Hansard.

The Vice-Chair: Some people may say I am ambitious, but I would not do that to Mr Hansen.

Are we ready to begin some further discussion on the draft report 2?

Mr Christopherson: Before you do that, can I just, so I understand fully and it is clear in the record, ask what the status is of the third party's involvement in this report? Have they sent any messages to anyone?

The Vice-Chair: I believe the clerk's staff is attempting to contact someone from their caucus now, as is normally done when there is no representation here from a caucus, to see about having them come forward. We would like them to come forward and we hope they would take up from Mr Cousens's remarks last week where he said he would inform them that we would be looking forward for recommendations. Since they are not here, I am suggesting we continue on with the discussion as is.

Mr Christopherson: That is fine. Thank you.

The Vice-Chair: Just as a possible starting point, I believe there were a few recommendations that had come forward from the Liberals last week and that the government caucus members had said they were going to come

back and comment on. Is that how you would like to proceed, or go through the report as it is?

Mr Christopherson: Could I suggest that we do a page-by-page? That obviously will take in every concern as it comes up and we can start putting some of the stuff to bed.

Maybe I can ask a question through you to Mr Kwinter. Are we looking at a potential second session where we would go back to the first page, since you have not had a chance to run this by your caucus, or are you in a position where we can agree on certain wording and say, "That is done," and turn the page?

Mr Kwinter: I do not expect that we would go word-by-word with the caucus. I think we can go through this and come to an agreement in committee, but then before we finalize I would like to at least run it by the caucus. As I say, I do not think any people will get to the point where they are going to be nitpicking over words. They may have a question about some of the recommendations or some of the basic policies. Once we get to that stage, I would just want to show it to them. The only reason I have not done it is that I was expecting that the third party would be bringing forward some recommendations that might be incorporated and then we would have to change it again anyway. But if that is not going to be the case, we can go through it and then it is really just a matter of making sure the caucus is aware of what we are agreeing to.

Mr Christopherson: That is fine, because it also suits our purposes to the extent that there are a couple of things we are going to suggest and, depending on your response, we may need a second opportunity to go back and relook at it also, depending on how your caucus feels about it. So that process is fine with us.

The Vice-Chair: We shall start going through it. Page 1. Any concerns on page 1 in the first paragraph? We will just go through page-by-page then. Any concerns with page 1? Can we move on then to page 2, the introduction? Did anyone have any concerns there?

1030

Mr Kwinter: On the third paragraph I have a little concern with the last statement, which says, "Since the problem is complex and involves all levels of government as well as many industrial sectors, cross-border shopping is a problem without a panacea, with no simple solution."

If you say it is without a panacea, you are saying there is no cure for it. To my mind that means, what are we talking about it for? Forget about it because all we are doing is commenting on it. It would seem to me that when you say there is "no simple solution," it implies that there is a solution. It is not a simple one; it is going to be a rather complex solution. It would just seem to me that if we take out the words "without a panacea," which indicate that there is no cure, and just say "without a simple solution," and leave it at that, is that—

Ms Anderson: I was wondering whether you agree with that. That is easy to do. Yes, I think I would agree with it.

Mr Christopherson: I am sorry. I apologize. I was insulting with my colleague.

Mr Kwinter: The point is that in the third paragraph page 2 the last sentence says this "is a problem without panacea, with no simple solution." I think it is a contraction in terms. If there is no panacea, then there is no cure, there is no solution, complex or simple, and why are we even addressing it? I think we should take out the words "without a panacea," and just say that "cross-border shopping is a problem with no simple solution."

It just makes no sense to have the word no "panacea," because it means that there is no cure, there is nothing we can do about it.

Mr Christopherson: Just to respond—I am not taking a hard position—That word was used, if I remember correctly, by Mr Winter, and I think we have used it in response in the House to some questions that are raised where obviously it is the part of the opposition to try and make things as tight as possible. There is a difference between a simple solution and a panacea, I think. A panacea suggests that there is one solution that will solve everything, whereas to say there is no simple solution suggests that there may be a complex solution.

I may be nitpicking, but I think we like the word "panacea" and that direct reference since it is taken from Mr Winter, who made that statement directly in his report.

Mr Kwinter: I used to be the editorial director of a publishing company, and I am very concerned about words. When you say there is no panacea, you are saying there is no solution, there is no cure. That is what it says, "without a panacea." "Panacea" is the Greek word for "cure." There is no cure. So if there is no cure, then why are we trying to find a solution or find a cure? It seems to me that if we say that, then we are negating what we are doing here. We are trying to find some kind of a cure. It may not be a complete cure, but we are trying to find some part of solution. That is the *raison d'être* of this committee. It seemed to me that if we leave that word in, and it may be nitpicking, but it really is a word that says there is no cure for this thing, so forget about it; it is just going to continue to happen and go on. Whereas if you say "there is no simple solution," it implies it is not an easy solution but there are things that we can do, and we have made 10 or 12 recommendations to try and do that. Why are you making a recommendation for something if there is no cure? You are spinning your wheels and wasting your time.

Mr Christopherson: I would beg to differ. Our position is that we agree with the statement by Mr Winter. Quite frankly, there is no panacea; there is no one cure that is going to solve the problem. What we are trying to do is mitigate it as best we can, to turn it around, but there is no one, absolute cure that is available. That seems to be part of the message that we received, and we think it is part of the message that we ought to be saying to Ontarians.

I do not think there is a suggestion that by using the word "panacea" we are saying to forget about it. Certainly Mr Winter did not take that approach. I believe he used the word "panacea" early in his report, and I am going straight

from memory now, and then proceeded at the end of his document to make a series of recommendations.

Mr Kwinter: You are saying one thing and this is saying something else. Every time you mention the word "panacea," you say there is no single panacea, there is no simple panacea. I have no problem with that. But when you say there is no panacea, then you are saying there is no cure. It is a little different than saying there is no single cure or no simple cure. I would suggest, if you are so enamoured with the word "panacea" and you think it should stay in there, then modify it to the point of putting in "there is no single panacea" or any words to that effect.

Mr Christopherson: Okay, we can live with "single panacea."

The Vice-Chair: Any further comment regarding page 2? Seeing none, we will move on to page 3.

Mr Kwinter: Mr Chairman, on a point of order: Now that we have a member of the third party, it would be sort of a good idea to ask him if they have anything they want to contribute to this.

The Vice-Chair: I did ask Mr Sterling when he came up front and he said he would be willing to comment in a few minutes. Are you ready to comment at this time, Mr Sterling?

Mr Sterling: Unfortunately, I have been involved in so many other things in the Legislature I have not had an opportunity to review. I have been in and out of this committee on this thing, so I feel somewhat handicapped in commenting on it.

One of the things, though, that strikes me on this issue as I read about it and hear more about it is that whether or not we have free trade, whether we have whatever it is, it is obvious, I think, to most observers that in the world market, the competitive nature of various countries is that things are coming together so that various parts of the world are trading in blocs.

I will come to the conclusion. As a result of that, what is happening, or what appears to be happening in Europe and I believe here, and I think it is inevitable, is that, whether we like it or not, as this trend in trading and the economy takes place, countries are having to give up part of their sovereignty, the right to make all the decisions in isolation. They cannot say: "We want to have an income tax at this level. We want to have gas tax at this level, we want to have tobacco tax at that level, and the hell with the rest of the world." I think what is becoming painfully obvious is that you cannot make those decisions any more in isolation.

I would have thought in the preamble there would be something about the recognition that this trend is coming along and that governments in the future, and I believe present-day governments, are going to have to look at the competing jurisdictions in terms of making internal policy. I think that is a fact. I do not know whether that was discussed or not.

The Vice-Chair: In terms of incorporating that issue into the report, I do not believe that has been discussed. I think what the other members of the committee would like to know right now for the purposes of the committee

proceeding is whether your caucus will be presenting some written recommendations on the issue or not, and possibly when we could expect them, as I think we are nearing the end of dealing with this issue and trying to write the final report.

Mr Sterling: I have reviewed the recommendations. I believe my caucus disagrees with some and would also make other recommendations as well. So I guess the answer is yes, we would be—

The Vice-Chair: Could we have some indication as to when we may have those written recommendations?

Mr Sterling: I think I am going to require some time.

The Vice-Chair: Would it be possible for next week? Next Thursday?

Mr Sterling: Let's say I can try.

The Vice-Chair: I would think if today proceeds in the fashion it seems to be going, we would be very close to finishing the report off. We are just kind of tentatively waiting until we get some recommendations from your caucus for the committee as a whole to discuss.

Mr Sterling: Has the Liberal Party put forward—

The Vice-Chair: Yes, they were put forward last week and have had some discussion. Basically, discussion occurred between the two parties and there was some compromise last week and some suggestions of incorporating recommendations that have come from the government caucus and from the Liberal caucus, and some that were not, and some of them were put in. The government caucus was also going to provide some feedback on some other recommendations that they needed some time to discuss. I guess that gives us a sense of where we are. Maybe we can continue with our discussions on the report, unless there are further concerns.

Mr Kwinter: We just heard from the representative of the third party that there are certain recommendations they do not agree with and there are other recommendations they are going to be bringing forward. We did that last week, and this second draft reflects a compilation of some of the things that we had agreed to and other things that we did not.

I am just concerned about us going through this whole exercise and then finding out that we now have to go through it again, because they may make some points that, even though we do not know what they are, we may agree with. We may find that either one of our parties has agreed, yes, that may be something. We may want to modify it again.

I am just wondering about the efficacy of going through this thing now and then having to go through it all over again once we get their recommendations.

The Vice-Chair: Do you have any suggestions in terms of procedure, what you feel we should do?

Mr Kwinter: It seemed to me the last time we met we sort of had an understanding that if we did get the recommendations from the third party, we would meet in the morning to consider them and then come back in the afternoon. If we did not get the recommendations, we would

come back in the afternoon and we would then assume that there were no recommendations.

The problem we have is that we do not have the recommendations, but we have been told that there are going to be some recommendations. At 11:15 I am appearing before another committee on cross-border shopping. They are dealing with it and they would like me to be there. I do not mind going through this, but it just seems to me we are probably going to have to go through it again.

The Vice-Chair: The other problem is that Mr Sterling has indicated that those recommendations from his caucus will not be available this afternoon either. Do we have any suggestions as to how we should proceed, then?

Mr Christopherson: No, I do not. Maybe what we need to do is just kind of talk this thing through a little bit, because I share a lot of the concerns raised by Mr Kwinter. The last thing anybody wants is a suggestion of a gang-up or anything. If anybody wants to check the Hansards, I think they will find that we have tried to be as accommodating and fair as possible and give the third party and each other an opportunity, as we walk through this, to fully meet with their caucuses, talk things through and give it their best foot, because, quite frankly, this is one of those issues that is not a partisan win or lose for any of us. It really has to do with the future of a lot of people of Ontario.

Again, I would ask Mr Sterling just for some feedback so we can talk it through. The most important thing to us is to try to get this finished, and the only purpose in that, the only agenda on that, is that we need to get this in the hands of the Legislature and in the hands of the cabinet so that, hopefully, they can respond to some of these initiatives. I think there is some good stuff in here, and what I would not want to see is that either we drag this thing out longer than it needs to go, or, as Mr Kwinter has rightly pointed out, we can reinvent the wheel at every meeting and tend to go round and round. I think we have made some pretty good progress and I would like to see that momentum continued, but again, we want to be fair to the third party. Maybe if we could get just a little bit of a tighter commitment from Mr Sterling, it would sure help us.

The Vice-Chair: Before Mr Sterling comments, there is also the possibility we could simply go through the text this morning and then come back, or leave any of the recommendations. That is one option we can pursue. I will go to Mr Sterling, since he was asked, and then Mr Kwinter.

Mr Sterling: I would like to give you a tighter commitment or a more definite commitment, but I am just not in a position to be able to do that.

Mr Kwinter: I think in the first eight and a half pages of this report the only comments I will make, and I assume most people will make, are on semantics, which should take hardly no time at all. Once you get past that, you are into the recommendations.

It would seem to me that it would make more sense for us to know that if recommendation 1 is supported by all three parties, then that is done. It is finished. We may have to change a word or two, but that is the end of it. All we are going to be left with at the very end is where we are in disagreement. Then the third party and the official opposition

will put in minority reports, and that is for us to decide to

I have no problem if you want to go through the first eight and a half pages, but I would just suggest to you that that will not take a great deal of time. Once you have done that, you are really stymied, because there is not much sense in addressing any of the recommendations until we have had the input from the third party.

Mr Christopherson: That is fine with us.

The Vice-Chair: So we have agreement that we will go through these first eight pages anyway to try to get the semantics figured out and then we will adjourn. Seeing that there will be no recommendations coming forward this afternoon, I take it, then, it is being proposed that the committee will not reconvene this afternoon.

Mr Christopherson: There is no sense doing it twice, but I think, in fairness—and again, I am open to this; I am not taking a hard position—we should make a decision that, come hell or high water, at the next meeting we start moving through the recommendations and we start locking this thing up. Then if at that time the third party feels we have not been fair, I would offer that it could certainly comment on that in its report. That would achieve both. It would give the third party a chance to at least get its opinion in there. There is time for them to comment on these recommendations. At the same time, all of us can move forward and get this report finished and in the hands of people who can do something with it.

Mr Kwinter: I would recommend that we do exactly what we thought we were going to do this week. We now have an indication that we will be getting some recommendations and comments from the third party. If we can get them and deal with them in the morning session next week so that we can have a discussion, and then in the afternoon session deal with the recommendations in light of the discussion that took place in the morning, that is what we thought we would do this week if those recommendations had come forward.

The Vice-Chair: There seems to be a consensus, so I guess the focus is put on the third party to try and have their recommendations for next Thursday morning when the committee meets.

Can we continue through these first eight and a half pages and see if there are any other concerns people had about any of the wording.

Mrs Sullivan: On page 3, the final sentence in the first paragraph, I think material has shown that the cross-border shopping issue is also of importance in provinces such as Quebec, Alberta and Nova Scotia. I am wondering if by particularly singling out British Columbia, New Brunswick and Ontario we are not limiting the appreciation of the national scope of the issue.

The Vice-Chair: I do not want to speculate too much. I think the reason those two were cited is because we had some studies or specific data on those ones.

Ms Anderson: They were the ones that were most affected. I think the others are, but to a lesser extent.

The Vice-Chair: Further comments on Mrs Sullivan's comments?

1050

Mr Kwinter: The reason I would like to see Quebec added is that Quebec was mentioned several times during our hearings for its zoned approach to gasoline. If you are dealing with that issue and that is somewhere along a potential solution—not the solution—I think they should certainly be included, because as I say, they were referred to several times as having that zoned gasoline tax. It would seem to me that they should be included for that reason.

Mr Christopherson: Just a question to Anne. Would their results change the message that is coming through in that sentence, and would it be consistent with what we are saying here?

Ms Anderson: My intent in putting that sentence in was to indicate that it was a wider problem than Ontario's. I just put British Columbia and New Brunswick as being two of the other big ones. But you can easily, instead of saying "especially," say, "such as Quebec, New Brunswick and British Columbia," which would be perhaps more all-encompassing than the others.

Mr Christopherson: Fine. We do not have any problem with that suggestion.

Mr Sterling: I think the bogus part of the Quebec example of the staged gasoline taxes or the area is that you look at the border and you find out that the major metropolitan areas are not on the border and that it is a fair hike to the border. So you are dealing with an entirely different situation than you would be in Ontario. You would be dealing with major metropolitan areas that would be getting a tax break on gasoline, whereas in Quebec it just is not that way. You just have along the border very, very small towns. I do not find their experience helpful at all in dealing with that issue. We have difficulty in my caucus with that anyway. We would not recommend that staged approach.

The Vice-Chair: Further comments on page 3? I see none. We will move over to page 4. Any concerns with what is on page 4? Okay, seeing none, page 5.

Mr Sterling: Just on page 4, I do not know whether the impact of some of our higher taxes, particularly on gasoline, is highlighted enough in terms of the decrease in Americans coming this way.

Last week I was in Peterborough listening to some of the people who are in the tourist business in the Kawartha area. One operator was indicating that if he goes back 10 years 70% of his business was American-based, and now it is down to less than 3%. The dropoff has been unbelievably sharp in terms of American tourists coming this way over the last two or three years. I do not know whether that is highlighted well enough there.

The Vice-Chair: Any comments on Mr Sterling's comments?

Ms M. Ward: I have a question that perhaps the researcher can answer. Did we hear any evidence as to the reason for the decline in tourism which highlighted that particular cause?

Ms Anderson: I do not think so, here.

Mr Phillips: One can speculate, I think. Our group worked yesterday in Sault Ste Marie—the Liberal task force on the budget. Not the Mike Harris task force, the Liberal task force.

Mr Christopherson: The Bob Nixon task force?

Mr Phillips: No, this is the Liberal one, all the future leadership. The number there was that 50% of the gasoline purchases for residents of Sault Ste Marie are now made in the US. So you speculate that if that is happening one way, it must be impacting the other way as well. I think it is like Mr Kwinter's earlier comment on the panacea. I suspect that tourism is impacted by a variety of things, but gasoline probably is one of the things that people have become increasingly aware of: "I used to go up to Canada, but when you drive around up there it is pretty expensive." I think there is enough kind of secondhand information that you can proceed. I guess it is also based on the tourist operators' knowledge.

The Vice-Chair: Okay. Any further comments? Then page 5?

Mrs Sullivan: I have a reservation about the kind of statistical data that have been included on this page. It is perhaps because I am suspicious of some of the work that Mr Winter has done in terms of the methodology that was used to come up with the figures he presented. As well, the projections he made were not based on any kind of econometric modelling. As a consequence, the emphasis on the billion-dollar loss in sales per year it seems to me is misleading.

If the committee is seen to be taking that as the loss-in-sales base, then I think we will not end up with the credibility relating to the problem. In fact, what people who have done larger economic studies than Mr Winter's are indicating is that the billion-dollar figure in fact refers not to the sales loss, but to the overall impact in terms of job loss and other economic effects that result from a loss in sales that are of a lower level.

I know the Retail Council of Canada used the billion-dollar figure. I believe that Mr Winter was its consultant on some of the work that was done. I do not know how to fix this, because certainly he did provide that testimony, but I do not think the committee should leave the impression that this is the figure we accept as the size of the problem in terms of lost sales.

The Vice-Chair: Maybe there are one or two ways you could approach that. Possibly research could attempt to contact Mr Winter and have some indication of the methodology, of how he got to that figure.

Mrs Sullivan: We asked him those questions when he appeared before us, and I was not satisfied with his response.

The Vice-Chair: Would you like to put in some type of qualifying statement, then?

Mrs Sullivan: I think that would be appropriate.

The Vice-Chair: It has been indicated that most of the stuff early on is on the basis of testimony that we have heard, and it might be possible to put that in some of the comments once we get past page 8 and we get into the

comments section. That might be a place to put in such a statement, if you felt that was necessary. Would that be fine?

Mrs Sullivan: Sure.

The Vice-Chair: Okay. Any other comments here on page 5? Seeing none, are there any comments on page 6? Seeing none at this time, page 7? Page 8? I guess page 8 goes on until the end of the first paragraph on page 9, correct?

1100

Mr Kwinter: Certainly any time any member of the government stands up and tries to defend economic policy, the first two things they talk about are the high value of the Canadian dollar and the high interest rates, and there is no mention of the interest rates in that list.

Mr Sterling: We are talking about what witnesses said, not what members of the government said.

Mr Kwinter: I still think some of them had to talk about high interest rates.

The Vice-Chair: There were comments made. Did you want that reflected in terms of—

Mr Kwinter: Just another bullet point in there, high interest rates.

The Vice-Chair: Another bullet point? Okay, fair enough.

Mrs Sullivan: I agree with Mr Kwinter's point; it was certainly raised many times. The other issue that was raised on several occasions was the level of service and product knowledge.

Mr Christopherson: Is that a suggestion, or were you just throwing that out as an idea?

Mrs Sullivan: No, that was very much a part of our hearings.

Mr Kwinter: That was raised a couple of times.

The Vice-Chair: You want to add that as another bullet under underlying causes?

Mr Kwinter: As a matter of fact, I think one of your recommendations addresses it.

Mrs Sullivan: That is right.

Mr Christopherson: "Level of service and product knowledge." Okay.

The Vice-Chair: Any additional comments, then, finishing off that paragraph at 9 before we go any further?

Mr Sterling: I do not know whether to suggest the prices of gasoline taxes that we heard about.

Mr Kwinter: One of the points included it.

Mr Sterling: I know. I do not know whether I heard it here or somewhere else about tire taxes. A lot of people are buying tires over in the United States. You know the tire tax?

Mr B. Ward: —Canadian tires as a regular sort of purchase?

Mr Sterling: No, we were talking about the specifics that witnesses had mentioned, I guess.

Mr Phillips: Did we not just sell some tires to the US the bald ones?

Interjection: That was the used ones.

The Vice-Chair: I would make a comment, but I am the chair, so I will pass.

Mrs Sullivan: The announcement was made but the contract is not signed.

The Vice-Chair: Okay, if there are no other comments for now up to that point, we shall leave it there. I believe we have a consensus that we will be looking forward to the Conservative recommendations for next Thursday morning to—

Mr Sterling: Did we not hear about higher labour costs on this side of the border? Was that not a significant—

The Vice-Chair: Do you want to add one other thing?

Mrs Sullivan: And overhead. That is not in there.

Mr Christopherson: Did we not hear it?

The Vice-Chair: Did you want to tie that in, higher overhead?

Mr Sterling: I think higher labour costs are—I have heard that I do not know how many times from retailers.

Mr Christopherson: If we heard it, we have no problem including it.

Mrs Sullivan: It was part of the testimony.

Mr Christopherson: I am asking Anne.

Ms Anderson: I will check that out.

Mr Christopherson: If it is there, we have no problem acknowledging it.

The Vice-Chair: Okay, and did you want higher overhead put in as well?

Mr Kwinter: One of the issues that was raised by several of the retailers is the fact that real estate costs were significantly higher here, and that as a result of that either their capital costs or their rental costs were significantly higher.

The Vice-Chair: So higher overhead, then.

Mr Kwinter: Yes, but directly related to real estate.

Mr Sterling: The Canadian Federation of Independent Business, when it was here, talked specifically about municipal taxes and how they affected the manufacturer, the wholesaler and the retailer.

The Vice-Chair: I am just wondering if you would tie that into real estate or whether you think they should be retained as separate items.

Mr Sterling: I do not know how specific you want to be, but it seemed to be the focus of their brief.

The Vice-Chair: Maybe if people think of other underlying causes, we can return to that bit next Thursday as well.

Mr Christopherson: I think the idea here was to identify examples, not necessarily an all-inclusive list. We have some fairly broad categories here such as high Canadian taxes and regulatory burden. It covers an awful lot of ground, as it is meant to do. I would suggest that we do not want to end up with four pages of detailed bullets. We are just trying to show some of the causes we spent some time reflecting on.

Mr Phillips: I am on a completely different matter, Mr Chairman. Just before we break, I would like to talk about our hearings in the summer just to get my agenda straight.

The Vice-Chair: Okay. Mrs Sullivan, you had your hand up as well.

Mrs Sullivan: Yes. I wanted to go on to a different point because I think another paragraph should be added in here somewhere.

Mr Kwinter: I just want to clarify: I agree that taxes—you know, the range, but I think that real estate cost is a separate issue.

When people say you can get land in Buffalo for \$1,500 an acre, and you pay for land in Toronto at \$1 million an acre, that has a significant impact on the cost of the retailer. I think it is important that that be singled out.

Mr Phillips: Before we bolt, I just want to make sure of our timing for this summer.

The Vice-Chair: Mrs Sullivan, you had a separate point regarding something you wanted done.

Mrs Sullivan: Yes. I think at some point in the introductory area we should discuss some of the points that were made relating to what people are buying in the US, in terms of where the difference is. For example, we talked about white goods, and also where the standards for safety and energy efficiency may be different from those available on the markets in Ontario, where the warranty standards are different and where warranties may not apply to products and so on. There is no place in the introductory section that discusses that. It seems to me it is an element in the cross-border shopping issue, and it has been raised by several of the intervenors. I am just suggesting that research add that in some areas there may be some differences in the products being purchased that are not reflected in decision-making about the price.

Mr Sterling: I support that. I think that by naming all these various factors, we have not prioritized what the view of the committee was on what the chief culprits are in this problem. I have my own opinion as to what they are from what I have heard. But focusing the government's attention on fixing which problem first is an important thing for the committee to do.

I am primarily concerned about the price of gasoline. I think that is probably the biggest come-on of all for people to go across the border. If I were a government, I would say, "Okay, what do we have to fix the price of gasoline or how can we help in that?"

The second one would relate to price of milk or something like that.

I also wanted to say something about the factors on page 9. I think they are unfairly written, in trying to focus blame on one level of our government rather than our taking our fair share at the provincial level. You talk about high Canadian taxes and regulatory burden but you do not talk about high provincial taxes and provincial regulatory burden.

The Vice-Chair: Okay. Under the bullets on page 8.

Mr Sterling: Yes. I think it is sort of silly, actually.

Mr Christopherson: Last comment first: Nobody is negating the fact that when you say "Canadian taxes," you are not including everything. It does not say "federal taxes"; it says "Canadian." I think it is meant to be all-inclusive. That is certainly the way I read it. Anything that pertains to a Canadian to me pertains to an Ontarian.

Mr Sterling: This is the provincial government. If we are going to try to deal with matters at the provincial level, we deal with matters at the provincial level. I think we are tired of this other stuff.

Mr Christopherson: I appreciate that, and we are getting back into the dueling we do in the House on how much the federal government is responsible. In a partisan fashion, we each have different agendas. We like the way this is phrased and the way it is worded. I think it is important that you hear that also.

On Mrs Sullivan's point of view and suggestion, we would be prepared to look at any language the researchers would like to present. I think the emphasis on white goods is probably well placed, since that was identified from the beginning of the free trade talks and before. That is something we would be glad to receive and review.

Mr Sterling: Can I ask a question on this preliminary part? I know the one suggestion about the cross-border people here in terms of remedies. I have heard various remedies. The collection of provincial sales tax at the border was one remedy. The other remedy I heard was the staging of gasoline prices on how far you are from the border. Did we do any research as to what other options there were or what other things have been tried in other jurisdictions?

The Vice-Chair: I do not believe so. I mean, we heard comments. We had a background report on the gas tax zone. We had a background report or some information on what they did in BC. Did we not get some more detailed information on what that one border community did with the banks? That must have been in one of the presentations that came forward and talked about the one or two things they had done there.

Mr Sterling: This problem is not new in this world. I just wondered what other tools had been tried in other areas that had met with success or were not practical. I think it would have been helpful if perhaps—

The Vice-Chair: There is a possibility we might be able to have research provide some more detail. I do not know whether we will be able to get that by then. I think we may have covered quite a bit of ground there. May I suggest that in the interests of time, we call it there for now. If there are other issues people want to address on page 8, we can possibly come back to them when we start next week and go from there.

Mr Phillips, you wanted to comment on another topic before we adjourned.

Mr Phillips: I would just like to organize my August. I think the memo that came out on our summer hearing indicated three weeks and in various places. Do we know which three weeks they are?

The Vice-Chair: My understanding is that this issue is still being negotiated between all the House leaders, so you are probably best to seek that advice from your own House leader. My understanding was that they were meeting this morning as well.

Mr Phillips: But we have determined these would be the communities we are going to, is that right?

The Vice-Chair: As far as I know, none of that information has been officially determined. It is all still open for negotiation. That is the only impression I am under. The House leaders are really handling this issue, and it has not come before the committee as of yet. Therefore, we will adjourn this committee until next Thursday morning at 10 o'clock. I hope someone will tell the Chair that he is not required to be here this afternoon, since he was not here this morning, and we will see everyone next Thursday morning at 10. Thank you.

The committee adjourned at 1112.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 13 June 1991

The committee met at 1016 in committee room 1.

CROSS-BORDER SHOPPING

The Chair: We have a quorum. I would like to begin by thanking Mr Sutherland for sitting in the chair last Thursday morning. I would like to begin by picking up where we left off. If I understand correctly, we were in the midst of going through the document.

Mr Sutherland: We had gotten through the first eight pages and then we were coming to the point where the commendations had been incorporated. Based on a suggestion by Mr Kwinter, it was felt that we should not go any farther until we saw whether we would have recommendations coming forward from the third party. Mr Sterling had indicated they would try and have those recommendations available for us this morning. So I believe that is where we left off and we were waiting for them to make their recommendations.

Mr Stockwell: The recommendations will be here in a very short period of time; minutes, we have been advised.

The Chair: Perhaps we should discuss the other order of business. I think we need to have a subcommittee meeting, and it has been suggested by the government party that it occur at 12:30. Is that possible or do we have another time that is more acceptable?

Interjections.

Mr Sutherland: If 12:30 is not acceptable, maybe we could adjourn 15 minutes early this morning.

Mr Stockwell: That is fine for me.

Mr Sutherland: Say about a quarter to 12?

The Chair: Then there will be a subcommittee meeting at a quarter to 12. How would the committee like to proceed pending the arrival of the third party's recommendations?

Mr Stockwell: How about if we adjourn for five minutes and I will make a call and see how long it is going to be?

The Chair: Is it acceptable to adjourn for five minutes? Okay. We will adjourn for five minutes.

The committee recessed at 1018.

030

The Chair: I call this meeting back to order. Are there any comments?

Mr Hansen: Comments on what?

Mr Sutherland: Maybe we could have an explanation of their rationale for the recommendations.

Mr Stockwell: From us?

Mr Sutherland: Yes.

Mr Stockwell: Sure, if you want. I think it is pretty self-explanatory.

I guess I do not need to explain recommendation 1. I think it is pretty self-explanatory. Maybe it is better, if you

have any questions that you ask me. I do not really see the difficulty in comprehending these. The only one, recommendation 3, that may be somewhat difficult to see is that obviously with harmonization you are going to save yourself a considerable amount of money. We believe the money could be used to offset the losses the province would feel in the rollback of the taxes in recommendation 1.

Recommendation 4 I think is a protection clause, basically. It is a complicated issue, the harmonization and credit backs, etc. We believe it is important to have "an analysis of the effects of any relevant legislation or regulations it proposes to introduce or amend on the competitive position of the Ontario economy or, where appropriate, on specific sectors."

In the future, should there be any changes made in legislation or regulations, there should be a report done on the competitive position it leaves the Ontario economy in, under recommendations 1, 2 and 3 and whatever comes down the road in the future. There are four very simple and straightforward recommendations.

Mr B. Ward: A quick question: Are these four recommendations the third party is suggesting the committee adopt over and above the general recommendations we made in the report that is already concluded, or are you saying that—

Mr Stockwell: As we go through those—

Mr Sterling: We would comment on those. There are some we agree with. A lot of the stuff in there is sugar and makes it difficult—

Mr B. Ward: It is a separate issue than what we have already, more or less, agreed to. You may suggest that some of those are okay, but others are not.

Mr Stockwell: For instance, let me just say you are calling for a trilevel committee being struck—

Mr B. Ward: Task force and all that stuff.

Mr Stockwell: Yes, big deal. Let's strike another task force, what the hell.

Mr Hansen: Recommendation 3: "Currently it is estimated that harmonization would result in a net revenue gain of \$500 million which should be used to finance a 4.2-cent-a-litre cut in the gasoline tax." The recommendation is a 4.2-cent cut in the gasoline tax, but was the \$500 million figure picked out of the air or are there some figures there that would realize these savings? It is something that is there but I do not see any background or where this figure came from, if you do not mind explaining it a bit.

Mr Sterling: If there was complete harmonization, we have tried to make the best guess we can in terms of what effect it would have. There are a number of factors involved in the attraction we are now seeing of the NDP government towards harmonization. One is that if you had

harmonization, there is a potential tax grab of, we estimate, somewhere around \$2.5 billion a year.

Mr Stockwell: It is \$2.2 billion.

Mr Sterling: It is \$2.2 billion a year. If you permit businesses, as is the case with the GST, to obtain credits on their input, it takes the \$2.2 billion down to \$500 million a year. In other words, a lot of the retail sales tax that is paid now, if businesses use that in their operation, as is the case with the GST—if you buy something that has GST on it, then when you sell the product or you sell the service after you take out the input, you get a credit for that GST. Our assumption is that businesses would get that credit. Therefore businesses would be advantaged to the tune of \$1.7 billion because they would be getting a credit of RST which they are paying out on business inputs. We think that by allowing businesses to do that, as they can with the GST, the province would end up with \$500 million more.

There is a downside to this suggestion, of course, because you are putting the provincial sales tax on services that are not taxed now. It is widening the tax base significantly. We think the move in harmonization should be revenue-neutral overall. We do not think it should be a tax grab by the government to increase taxes. Therefore, we say that the offset should be used to attack the cross-border shopping issue by specifically going after what we consider the most relevant factor in cross-border shopping, and that is the price of gasoline.

Mr Hansen: If I understand correctly, it is that when a retailer makes a purchase from a wholesaler he is paying the 7% and the 8% at one time. When that retailer is going out to borrow money to purchase stock, he needs a little bit of extra money in order to pay the tax up front before he sells that item. When that item is sitting on a shelf, let's say the item is wholesaled at \$10 and he would be paying \$11.50 out and maybe the product sells for \$20, but he does not get that back until that item is sold, so that money is sitting on a shelf. He has more money sitting a shelf because he has paid the tax upfront. Is that correct?

Mr Stockwell: Yes, it is, except I do not know any retailer who buys a product and pays on delivery unless he is filing for bankruptcy a week or two later. Obviously he has terms to pay the bill. The bill is 30 or 60 days. Hopefully it is not sitting on a shelf for that length of time. So there is an obvious turnover, plus he gets his credit back under our scheme through—

Mr Hansen: It would be quite an upfront cost for a retailer to start out a new business. In other words, when he buys his stock in, it is all going to go off the shelf in 30 or 60 days. This is why I asked the question. It looks like the retail trade would wind up paying a lot more in startup costs.

Mr Sterling: Yes, but the upside, Ron, is that they only deal with one tax collector and they are not filling out twice as many forms. I was talking to the local grocer in my area, and if harmonization had taken place back when it should have taken place, then grocery stores would have had to pay half as much for the software and the hardware to implement a combined tax rather than two different taxes. In other words, if harmonization had taken place, I know a grocery store that had to pay \$80,000 in order to

implement the GST and have the PST remain as it was. If it had taken place all together, it would have cost them \$40,000 to redo that. So there is some benefit to a start-up retailer, because in harmonization his initial outlay in terms of accounting and dealing with the two taxes will be much simpler. There are ups and downs to it.

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Mr Hansen: I would say that the public out there would take a look at, if our government harmonized—for instance, you are purchasing a new home and you need a lawyer for the transaction. As it is right now, there is a 7% GST on his fee. As it is right now, there is no Ontario sales tax on that particular purchase. But with the harmonization, we are talking about adding 8% on top of his bill on purchase of a new home, or does harmonization mean, I am going to go the other way—that we would revert and there would be no GST on a lawyer's bill? Which way would it go?

Mr Sterling: There would be tax on a lawyer's bill.

Mr Hansen: So it is a larger tax grab.

Mr Sterling: Not necessarily. When the lawyer bought his stationery or whatever else would be the input into the service, he would be able to get a credit for those off it, as he is with the GST. So there are some credit side to it as well in terms of the inputs the lawyer has. But overall, the philosophy of the GST, the part of it I agree with—I do not like the idea of taxes any more than you do—is the idea that the burden of taxation should be less in the manufacturing area and more in the service area. If you want to add strength in terms of your overall economy then in my view it makes sense to tax a service area as much as it does the other sector, probably even more.

Mr Stockwell: Otherwise, you could simply continue on the road you are on now and basically operate and watch the border towns and the stores and so on keep closing. You have to do something, and we are suggesting to you the three most important things you can do to help the border towns are to roll back gasoline, alcohol and tobacco.

There is a downside to that, and the downside is that you are down revenue. You are already \$10 billion in debt this year alone. We could have just come forward and said "Forget it. We're not going to offer you constructive criticism or a constructive report. Just roll back the taxes, period." If you are going to try to resolve this cross-border issue, you know full well you are going to have to deal with the gasoline, cigarette and alcohol taxes. If you are not going to address those issues, then do not bother addressing the cross-border issue.

Mr Hansen: What I am trying to say, Mr Sterling, is that you were talking about the lawyer upon his collection but what I was talking about was the client who walks through the door who has to pay those taxes. I do not think the lawyer would be rolling back his rate. It would be the same as it would be without taxes. The main thing we have to take a look at is the client who is coming in, or the consumer who has to pay the tax. I think this is what it comes back to all the time, that people are going across the border on the amount of taxes they are paying. Mr Sterling

talking about the lawyer getting the credit on what he is purchasing with the GST and with the—

Mr Sterling: But of course we do not make the recommendation in here which this leads to, which would have the most effect of all in eliminating cross-border shopping; that is, with the harmonization, it would be collected at the border and therefore would be the greatest legitimate impediment to cross-border shopping that I can envisage.

We are saying this is revenue-neutral. The Ontario public is not going to pay anything more, as a total body, in taxes. They are going to have to pay more tax over here, but they are going to get a break over there. But the bottom line of all of this is that there is not one cent more in taxes in this suggestion. You can collect at the border, and you are going to have lower gas taxes.

Mr Hansen: Okay. Then the tax comes up on this lawyer's bill, but the tax is coming off on gasoline. This is what you are saying. You are moving from one area to another.

Mr Sterling: Yes.

Mr Hansen: In other words, you have more here but less here.

Mr Sterling: Yes, and in terms of the cost of doing business, there should be some break for business. They will be more efficient in how they deal because they are dealing with one tax collector in terms of both PST and GST. There is a tremendous break for business in terms of administration, etc, so our retailers here will be able to compete better with the Americans as well. There are a number of positive benefits by taking this significant step.

Mr Christopherson: Could I suggest by way of process that we perhaps pick up where we left off, and I believe that was after page 8 or page 9, and start walking through it, giving all three parties an opportunity to comment on those recommendations. Then at the end we can consider any Liberal recommendations that were made but not included in the report and make a determination and do the same with the third party's recommendations.

Mr Sutherland: I guess I would concur with Mr Christopherson. I had one question on the Tory recommendations. In terms of harmonization, I also thought that in some of the calls you hear for harmonization the overall level would be lower. In other words, it would not be 15%. Were you recommending a specific amount?

Mr Sterling: Basically what we were saying was that whatever we were going to put in here was because of our party's position. We would not be taking any more taxes from the people. What we are talking about is a redefinition of whatever it is. We do not want tax on tax, and therefore the provincial rate may be 7.78% or whatever it is to come to the 15%. I am not sure what the exact figure is.

Mr Sutherland: Fine.

Mr Sterling: But that would be sort of the extension of when you got to the nitty-gritty in terms of what we were talking about. We are not saying we are going from 8% to 7% in taxes.

Mr Sutherland: My only question about that was what impact that would have on the figures you were suggesting here, the \$2.2 billion and the \$500 million, if it stayed at 15% or a different rate.

Mr Christopherson: Page 9 then, recommendation 1, is I guess where we are about to pick up. Just to get the ball rolling, we are fine on the wording of the recommendation and the following text up to the end of recommendation 1. We have a comment on recommendation 2 when you take us to that.

Mr Kwinter: If I may make a comment, it is my feeling that I am in a position to talk about those recommendations we agree with in principle and virtually agree with, but I want to reserve the right, because we have not taken this to caucus pending hearing what the third party was going to do; There is a possibility that I may come back and have another word or two to add in, only for whatever reason some caucus members may feel that should be done. I just want you to know that I am prepared to give a commitment in principle that yes, that recommendation is something we agree with, as long as it is understood that it will not get changed in principle, but there may be a word recommended that we can either accept or not.

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Mr Christopherson: If I remember correctly, last week Mr Kwinter put out that same position, and I think on behalf of our caucus I suggested the same thing, to the extent that when the recommendations were tabled we would want to take a look at them and your changes obviously might have an impact on our position. So things are still fairly fluid and we are agreeing in principle.

The only thing I would suggest is that our subcommittee needs to be aware of what kind of time is available to work on this report. We are trying to get it concluded as soon as possible, both to get it in the hands of the government and also to clear the slate so we can begin the other work we are about to start. Let's just keep in mind that at some point we have to have that line, but up until then, I think all parties are still free to be fluid on some issues.

Mr Kwinter: I was just going to say that this is not going to be time-consuming. It is just that I have got to show it to them. Once I show it to them, it will be very quick.

Mr Christopherson: Fine.

Mr Sterling: Can I also just make one statement, sort of a preliminary part here, that as far as I am concerned, the words in between, as I indicated last week, are badly slanted in favour of blaming stuff on other levels of government, which we find distasteful and silly. It would be my view that we would probably be at the bottom line of putting forward a dissenting report saying that we agree with the recommendation, but in no way with adopting the language of the overall report, if you know what I mean.

We are not going to spend our time during this committee saying we do not agree with these words here; we do not agree with those words. Because of the way the report is slanted—and I understand why it is slanted that way and why government members want to do that. Notwithstanding that, as we go through these recommendations, we will just tell you simply whether or not we agree

with the recommendation, and we would include in our dissenting report probably that we agree with the recommendation or whatever else. Okay?

Mr Christopherson: No problem.

The Chair: Where would we like to begin then, on what page?

Mr Christopherson: The first change we would like to put out for discussion is on page 10, recommendation 2, unless somebody has something before then. What we would like to do is to end after the first sentence. To talk about the qualifications for the minister being "an effective negotiator on Ontario's behalf" just does not seem to be necessary or appropriate, since it is a strictly subjective opinion on whether someone is an effective negotiator or not. A lot might depend on what happens at the end of the day, as opposed to heading into the negotiations. Without changing the intent or the thrust of what was proposed, we would just like to stop it after the first sentence.

Mr Kwinter: I have no objection, as long as the paragraph preceding it stays in, because it says the same thing without including the recommendation.

Mr Christopherson: That is fine, and let the last sentence cover it, yes.

If I can then push us ahead, on page 11, second paragraph, middle of the paragraph, I believe it is the third sentence, I would just like to raise with the researcher the sentence, "John Winter testified that a price comparison of 250 goods between Fort Frances and International Falls showed Ontario prices to be on average at least 50% higher." I believe what may be meant is that 50% of the goods were higher, as opposed to the way it is worded here, but I would ask Anne for a little clarification.

Ms Anderson: It was 50% of those 250 goods he had surveyed, not necessarily of all goods.

Mr Christopherson: Maybe we could just get that wording cleaned up a little.

Ms Anderson: I could put in "on those goods" after the word "prices" perhaps.

Mr Christopherson: Yes. Thank you, Anne.

In the last paragraph, the last sentence, there was just some discussion in our caucus. Maybe Anne would just clarify that sentence exactly in so many words so it will be clear. There was just a little bit of uncertainty as to exactly what we were saying there.

Ms Anderson: I was trying to indicate that the high dollar at the moment in and of itself was not necessarily causing the increase that has happened in recent years, that there had been a high dollar in the early 1980s at the equivalent level without the increase there has been then.

One of the differences has been the difference in purchasing power that has resulted from differing inflation rates. When the exchange rate floats freely, it will adjust for those different inflation rates, but I do not believe it has been adjusting freely over the last few years, so there has been a difference in purchasing power between Canada and the US. I think that is one of the reasons for the difference between the early 1980s and the late 1980s.

Mr Kwinter: If I could comment on the same point, do not agree with that paragraph in that, to my knowledge there has been no restriction on the ability of the dollar to float. What has been controlled are the interest rates. I do not think the central bank has the resources or the power to determine the value of the Canadian dollar. The market dictates that. What the central bank has the authority to do is to set the interest rates, and the interest rates have a direct impact on the value of the dollar. As long as the interest rates are maintained artificially high, where they have been, it has meant that the dollar is high because people want to benefit from the interest rates and are pushing up the value of the dollar.

But if you want to talk about allowing things to find their own level, then it is the interest rates that have got to find their own level and not the value of the dollar, because the value of the dollar is set by the market. It is set by the world financial community deciding on the value of that dollar vis-à-vis gross domestic product and the interest rates and the returns on it. I just make that comment.

Mr Stockwell: If you want to truly affect it, you should probably deal with the debt. That would have a far greater impact on the value of the dollar and interest rates. If you could retire a considerable amount of debt at the federal and provincial levels, I am certain you would be far more successful in having a better interest rate and a better Canadian dollar.

Mr Christopherson: We are okay up to page 23, Mr Chair. That would be our next—

The Chair: Any comments in between?

Mr Kwinter: How did we leave that?

Mr Christopherson: That is exactly what we did—left it.

Mr Kwinter: Just left it?

The Chair: No, I understood there would be some clarification in that. What would the clarification be?

Ms Anderson: Maybe we could take out the end of the second half of that sentence, from "because."

Mr Kwinter: If you just substitute "interest rates" instead of "dollar," I think it is a valid statement. "Although the Canadian dollar in relation to the US was as high as higher in the early 1980s, its purchasing power has declined in recent years because the interest rates have not been able to float freely to adjust to, among other factors, the different rates of inflation between the two countries." There is absolutely a 5% spread in interest rates between Canada and the United States and that has really impacted on Canadian manufacturers, retailers and distributors, because their cost of capital is too high vis-à-vis their American competitors. If that interest rate was allowed to change then we would be fine.

The Chair: Then I see a consensus on that wording.

Mr Christopherson: Interchange "interest rate" for "dollar."

The Chair: Are there any comments between pages 11 and 20 from the opposition? Can we move on? I believe Mr Christopherson indicated that the government was happy with pages 11 through 20. Is that correct?

Mr Christopherson: To page 23. Our next change is recommendation 7.

Mr Stockwell: Hold it. Is recommendation 3 on page adopted?

Mr Christopherson: That was unanimous, was it not?

Mr Stockwell: No, totally not unanimous. It is short-sighted, naïve and schoolground thoughts.

Mr Christopherson: In your opinion.

Mr Stockwell: Yes. In my opinion, it is schoolyard thinking. This is so boldly naïve it is not even worth debating, so I will just suggest that—

Mr Hansen: But Mr Kwinter just—

Mr Stockwell: I heard what Mr Kwinter said and I suggest to Mr Kwinter that it is naïve. There is no way you are going to have this statement stand on its own and have anyone take it seriously, "The provincial government could urge the federal government to allow the interest rate differential with the United States to be reduced so that the value of the Canadian dollar can decline to a competitive level." I want some background, a little bit of better background on that than what we have, and if not, fine, we will just simply not adopt that recommendation, or we will change it.

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Mr Kwinter: I have to apologize. Actually, when I was reading the paragraph on page 11, I was just reacting to it from an economic point of view, without realizing it was tied into that resolution. In fact, I was right, because what I said here is what is reflected there, but I did not realize it was there.

The point that has to be made is that we are not talking about practicality; we are talking about recommendations that are the ideal. Ideally, the central bank is keeping up interest rates for one reason. They have decided in conjunction with the government—and I am convinced they have to talk to the powers that be in Ottawa about it—that inflation is the number one economic problem facing this country. In order to keep inflation down, they have to keep interest rates high. If they were to allow the interest rates to drop, then what would happen is that it would reduce the cost of capital for Canadian businessmen, which would make them more competitive.

From a political point of view, that may be a non-starter, because the federal government may say: "That's great. We're just not going to do it, because we're not prepared to tolerate the kind of inflation that would result from lowering those interest rates." Having said that, when you talk to businessmen, and when you listen even to ministers of this government, whenever they stand up to talk about the problems they talk about the high value of the dollar and the high interest rates that are creating a problem for Ontario business.

Again, I keep repeating, that one is the result of the other. The high dollar is the result of the high interest rates. If you can get the interest rates down, you will get the value of the dollar down, and you will become more competitive. It may not be practical and, as the members of the third party say, it is naïve. I agree it may not be practical, given the

politics, given the fact that the government in power in Ottawa right now has said: "We're not going to do it. We're going to keep those interest rates artificially high because we think inflation is worse than the competitive problem." I do not agree with them, and that is where we have a difference, but I have no problem with that recommendation.

Mr Stockwell: We have a problem with that recommendation, as I suggested before.

The Chair: Other comments on this, or should we move on to page 23?

Mr Sterling: We object to recommendations 4 and 5. I do not understand 5. With regard to 4, I do not know who is a shopper or not a shopper. Do you say, "You can go in the fast-track lane if you are a shopper"? I do not understand that. I think 4 is not responsible. If the provincial government wants collection of taxes and more enforcement, then it is going to have to be involved in some kind of compensation for it.

Mr Sutherland: If I may, I think this committee is already having an impact, because I believe the Minister of National Revenue has already said he is going to hire more enforcement staff.

Mr Sterling: He did it because we said that?

Mr Sutherland: Yes, for sure, so we can tell our constituents we are having an impact already.

Mr Sterling: Are you naïve.

Mr Sutherland: At any rate, with regard to recommendation 5, the reason that recommendation is in is that we have heard evidence of some of the Peace Arch Customs Entry projects that are going on in British Columbia, about how that is to help shoppers get back quickly. We were not happy with that process, but we are also familiar with the autopass thing that the United States has set up at the border at Niagara Falls, which allows Canadian tourists to go across much more quickly.

The purpose of this recommendation is to have a similar thing set up here to allow American tourists to come up. The twofold problem with cross-border shopping is not only Canadians going across there, but because of the long lineups it is also discouraging American tourists from coming here. The purpose of this recommendation is to provide the incentive and to make that process a little easier.

It baffles my mind that we are quite happy to set up a process—

Mr Sterling: Why is the Canadian a visitor when he is coming back to Canada?

Mr Kwinter: If I could just respond, I took this recommendation to mean what happens at Terminal 3, what happens at Heathrow Airport in London. When you arrive, there are green and yellow or red and yellow things, and if you are coming through with nothing to declare and you do not have to go through immigration, you go through that. They have spot checks where they will grab you, even though you say you have nothing to declare, just to do a spot check.

The big difference would be that right now, when you come across the Peace Bridge, everybody goes through the same thing, whether you have nothing to declare or

something to declare, whether you are an immigrant, or a Canadian citizen. Whatever it is, everybody has to wait in line to get his chance to tell the guy, "I've got nothing to declare," whereas under this system there would be whole lanes where it would say, "Canadian citizens with nothing to declare, just go," and they have spot checks. As I say, it works.

Mr Stockwell: What happens if you get caught?

Mr Kwinter: You get penalized.

Mr Stockwell: What? You pay your tax on what you came over with?

Mr Kwinter: No, you get the same thing you get if you smuggle.

Mr Stockwell: Goods impounded?

Mr Kwinter: Whatever it is that happens to you. As I say, this is not radical. It is happening right now at Terminal 3 and it certainly happens in other airports around the world. There is no reason why it could not be implemented, as long as you can physically do it.

The Chair: I think there is a slight problem of a misplaced modifier there. It could be that this could be corrected by saying, "The provincial government should urge the federal government to establish fast-track lanes for use by American visitors and Canadians returning who are not shoppers with nothing to declare."

Mr Kwinter: It is the matter of shoppers with nothing to declare.

The Chair: Or you could just take that out and put "those coming into Canada with nothing to declare."

Mr Sutherland: If that would make it clearer, rather than the term "Canadian visitors," or "visitors" right after "Canadian," that might be good.

Mr Stockwell: Sure, fine.

The Chair: Are there any other comments? We are now moving to page 23.

Mr Christopherson: With regard to recommendation 7, we have a suggested wording change to clarify and strengthen the intent. It is the latter part of the sentence, but I will read the entire sentence as we would suggest it, "The provincial government should work with industry and local border communities to develop regional campaigns in support of more aggressive marketing by Ontario retailers." There is no great change; we just thought that clarifies and strengthens the intent of that recommendation.

1110

The Chair: Are there any comments on that?

Mr Jamison: I would like to make a suggestion on recommendation 7. It seems to be a very defined group of people there. There are other groups that have shown interest in being involved in the cross-border shopping issue. One, for example, would be labour. Also, I think the whole thrust behind 7 is really joint participation where we can develop it. I think it is one that should not be narrowly explained by the committee. We should be talking about including many groups in that process.

The Chair: What wording would you suggest, Mr Jamison?

Mr Jamison: Just to expand and indicate that other interested groups—

Mr Christopherson: Maybe remove the word "and" if there is no problem with the suggestion, replace it with a comma, and then after "communities" "and other groups." For instance, I know the Ontario Teachers' Federation has been promoting the "Buy Canadian" and the cost of Ontarians of cross-border shopping with its membership. I think that is what Mr Jamison is suggesting, that we want to keep that net big enough to catch everyone who is involved and offer support to them.

The Chair: Would this be correct, "The provincial government should work with industry, local border communities and other interested groups," or "other groups"?

Mr Christopherson: "Other interested groups."

The Chair: "Other interested groups to develop regional campaigns in support of"—

Mr Christopherson: Yes, and then kick in with the new wording.

The Chair: Any other comments? Page 24 or should we just jump—

Mr Stockwell: Recommendation 8, that is a winner.

Interjection: It is unanimous.

Mr Stockwell: That will keep thousands of them in the country. Make sure the seal is red.

Mr Christopherson: Recommendation 9.

Mr Stockwell: There is another winner.

Mr Christopherson: Yes, unlike your in-depth analysis.

Mr Stockwell: Let's add training courses in seals. That will solve the problem.

Mr Christopherson: Listen, we were throwing fish the other way yesterday.

The Liberal recommendation 3 I believe is next on the order of discussion, after recommendation 9. I think we deferred and said we would have that recommendation come now for discussion.

Mr Kwinter: It is kind of redundant because introduction of the government's bill on Sunday shopping covers it. It allows a municipal option. It allows everybody to be open anyway, so it is not a problem.

Mr Stockwell: I think they did that because you said that.

Mr Christopherson: We are listening. That is fine. I had it on my order paper, if you will, to deal with it.

Interjection: Another example of the impact this committee has.

Mr Christopherson: We do not want to be accused of steamrolling until we actually are.

Mr Kwinter: We were going to include it as a recommendation, but as I say I think the government has already responded to it.

Mr Christopherson: Fine. The next thing we have is on page 27. The recommendation, if there is nothing else from the other two parties, is that recommendation 10 would actually appear at the end—or let me word it another way: The paragraph that comes after this would start up, "It

ould be noted, one alternative proposed by some retail-
s....” That paragraph would be completed and then recom-
mendation 10 replaces 11. We are just suggesting to
delete 11. We had quite a discussion on it last time when
Mr Kwinter went on at great length and we thought his
points were well taken. So we would propose deleting
recommendation 11 and placing 10 in its place. As I said,
start the paragraph now beginning, “One alternative pro-
posed,” with the words, “It should be noted.”

Mr Stockwell: So you are dropping recommendation
1?

Mr Christopherson: Yes.

Mr Stockwell: Okay.

Mr Christopherson: We had some difficulty at first
with the wording and the intent and then the actual merit
of the recommendation itself.

Mr Stockwell: I agree that it is not meritorious.

Mr Christopherson: If that is not a problem, I would
move us to page 29, which is the Liberal recommendation 5.

Mr Kwinter: Perhaps I could just speak to that for a
minute. You notice there is a letter from the National Grocers
that was on our desk today, and they have their recommen-
dations. Recommendation 1 is supply management mar-
keting boards. As I mentioned when we had the hearings,
the mere mention of even tampering with supply manage-
ment will draw the ire of every agricultural worker in On-
tario and the tractors will be circling Queen’s Park.

Having said that, I think one of the things that could be
done is a method of trying to allocate the quotas more
fairly. We have what is really an anomaly, in that we have
supply management. The main purpose is to protect the
economic viability of those people in the agricultural sec-
tor and yet, from time to time, because of the quota sys-
tem, there is a provision whereby produce can be brought
in from the United States.

We have a situation where Ontario may be short of its
quota and where there may be an abundance of quota in
other parts of the country. The purpose of this recommen-
dation is to just make sure the quota is set at a level that
will keep the produce coming from Canada—I am not just
talking about Ontario because we bring it from all over—
and not be set in such a way that even though it is sup-
posed to protect Canadian producers, there are many
occasions when, because of the market—I will give you an
example. At Thanksgiving, because the quota is set in ad-
vance, there are turkeys required for the market, there is a
shortage and they are brought in from the United States,
whereas Canadian producers could have been producing
those turkeys if the quota had been more realistically set.

All we are calling for here is a recommendation that
the quota system be examined to make sure it is kept in tune
with the marketplace to the advantage of Canadian producers,
as opposed to leaving a window of opportunity for Ameri-
cans to fill that is created because of the inefficiency of the
quota system. That is basically what it is about.

Mr Christopherson: We had a pretty good discussion
about it in our caucus, and we can support the recommen-
dation.

Mr B. Ward: Is that recommendation 5?

Mr Christopherson: Yes, Liberal recommendation 5.

Mr Kwinter: Liberal recommendation 5, and this
would become new recommendation 11, I assume, and fit
into where we are.

Mr Christopherson: In terms of structure, do we
have a preamble for that?

Interjection: We have supply management.

Mr Christopherson: We are okay with that.

The Chair: Next section.

Mr Christopherson: Page 32, at the bottom of the
draft report, talks about recommendations 2 and 10 of the
Liberal proposals.

Mr Kwinter: Our recommendation 2 is basically the
third party’s recommendation 1.

Mr Christopherson: Yes, neither of which is accept-
able, but I do not think that comes as any great surprise, and
we talked about that earlier. On the issue of recommenda-
tion 10, we wanted to propose the following language—

Mr Kwinter: Just for clarification, our recommendation
10 encompasses pretty well what the third party has in its
recommendation 4.

Mr Christopherson: Correct. I expect both will pop
up in minority reports, loud and clear.

I would like to move us to your recommendation 10.
What we would like to offer is the following amended
language, but in the interests of maintaining the spirit of
what you have suggested. The wording would be: “All levels
of government should consider the issue of cross-border
shopping in all fields of policy-making. The government
should continue, and where possible increase, the level of
consultation with labour, business and consumer represen-
tatives around the problem of cross-border shopping.”

1120

Mr Kwinter: I suggest that would probably more
suitably be presented if it were expanded into the NDP’s
recommendation 2.

Mr Christopherson: The draft report recommenda-
tion 2?

Mr Kwinter: We are talking about the whole idea of
what the government should be doing, appointing a lead
minister to work with all players at all levels of govern-
ment, and then expand, take what you have just said and
incorporate it into what that person should be doing.

Mr Christopherson: I hear the point and I do not
think we want to split hairs. Perhaps I could suggest that it
may be properly in its place if you think about the fact that
we have two pages of discussion on taxation and your
recommendation is slanted one way and ours presents it a
different way. But the whole point, I think, is that govern-
ment needs to consider the impact of policy decisions on
cross-border shopping and we want to make that very clear
and to ensure everything is being considered. There should
be at least as much consultation as is going on now and we
should increase it wherever possible. I suggest it is possi-
bly in its right place. I would not want to water down the
recommendation to the lead minister to be appointed. We

have talked about that among ourselves only and we feel that is an excellent recommendation. We like where it is and we would really like to see it stand alone because we would like to see the Premier do that.

Mr Kwinter: Then I suggest that maybe what you have just said should be incorporated into your recommendation 1, where you talk about the task force. If you take a look at the material that goes on, it talks about all the things that should be happening. If you take a look at the bottom of page 8, "Many groups felt that the issue needed to be addressed at a broad, structural level with co-ordination and co-operation among all participants in the public and private sectors." There is a national task force with a high level of representation from all of these different people and it would seem to me that is where that particular recommendation should be incorporated.

Mr Christopherson: We should not spend a lot of time on this because it is a moot point about really where it goes, but I suggest to Mr Kwinter, that the difference might be that with recommendation 1, we are asking that this trilevel task force more or less deal with the issues in place now, and what it can do about existing regulations, laws, practices, etc. This is really meant to talk about from here forward and it is not meant to deal just with legislation that currently, obviously, impacts on cross-border shopping. When any legislation is being looked at, the effect and impact on cross-border shopping should be a consideration. I suggest it is a broader recommendation and is really meant for policies and laws which are being considered from here forward.

The Chair: Is it our understanding that what you have just said, Mr Christopherson, could go in as recommendation 15?

Mr Christopherson: Yes, that is correct. We were suggesting the Liberal recommendation 10, as numbered in its report, be amended in the way we have suggested, and you are correct that it would become recommendation 15.

Mr Kwinter: I have no problem with adding that recommendation 15. I do have a problem with amending our recommendation 10 because I do not think it is quite the same and we will be using our number 10 separately.

Interjection: Take it to caucus—

Mr Christopherson: That is fine.

Mr Phillips: Perhaps I could just speak on our recommendation 10, just to be on the record because I would like to have these things around a year from now when you reverse engines and have to make some fundamental changes. I think your budget is fundamentally wrong. I think you will come to that realization in a year.

Mr Sutherland: You are not using "180 degrees"?

Mr Phillips: Whatever. There is not a lot of sense in debating it right now because only time will tell, but I just say that in the end we will hold you accountable for it. I think you are going to see more jobs lost in the province. We feel very strongly about our recommendation 10, and I would just like to have the Hansards around a year from now; that is all.

Mr Sterling: Just before you leave 10, there has been an allegation that our recommendation 4 is the same as the Liberals' 10. I think ours is really quite a bit wider in scope, in that it says we want a competitive test put not only to fiscal policy, but also to regulatory policy, legislation policy etc. In other words, we think all governments should be bound—as perhaps land is bound by an environmental assessment—by a competitive assessment before they do things. That is basically the thrust of 4. I am not sure whether the Liberals are interpreting it that way or not, but that is the intent of our recommendation 4.

The Chair: Further discussion?

Mr Phillips: On what?

The Chair: On this issue, unless I get some indication that we are done with it.

Mr Phillips: Are we debating the third party's recommendation 4?

The Chair: Mr Sterling was just indicating that Mr Kwinter's comments suggested it was the same as yours and he wanted to expand and say that is not the case: that it is broader. Are there any other comments?

Mr Phillips: The one thing that everyone might be able to agree on in recommendation 4, because I have a feeling, but the government may not—what is your feeling on recommendation 4?

Mr Christopherson: We more or less considered it similar to your recommendation 2, I believe.

Mr Stockwell: Recommendation 10.

Mr Christopherson: Was it 10? It was 10 or 2.

Mr Phillips: You are not in favour of it or you—

Mr Christopherson: No. We offered up our own wording. Just give me one second to read this. There was a suggestion during the discussion that it was similar to your recommendation 10. We have offered amended language to that. We have heard back from Mr Kwinter and from Mr Sterling that this is unacceptable and they would be reflecting that in their minority report. We have acknowledged that you are going to do that.

Mr Phillips: Is there a compromise on the third party's recommendation 4, that it may still want to have it in the minority report, but that rather than "competitive position," any relevant legislation contain a "jobs analysis"?

Mr Stockwell: As opposed to "competitive position"?

Mr Phillips: I am just trying to see if there is something all parties can agree on. Maybe you would still have it in your minority report, but at least there would be the impact that regulations and legislation has on jobs.

Mr Christopherson: In most cases that I am aware of in the short time I have been here where there have been initiatives announced by cabinet, they have put a great deal of weight on the number of jobs created and are—

Mr Stockwell: I think we are talking about job loss.

1130

Mr Phillips: I wonder if that might not be a useful recommendation for the committee, to ask that when legislation or regulation comes forward, it includes an analysis of the impact on job creation.

Mr Stockwell: And loss.

Mr Christopherson: Let me ask a question. We are going to be coming back at least once more on this matter, I understand it, Mr Chair?

The Chair: That is up to the committee. If the committee does not feel it has completed its work on this report, then, yes, we will be coming back.

Mr Phillips: I think it might be interesting. I have a feeling that the word "competitive"—not just because of what I saw in the paper this week—may be tough for the government side to buy, but it may be able to buy "jobs."

Mr Christopherson: We will take a look at it, okay? Before we wrap up we will give you an indication whether we agree to go with that kind of recommendation in the main body.

Mr Phillips: I think it may be very useful.

Mr Christopherson: We will take a serious look at it.

Mr Phillips: I guess we are in the middle here.

Interjection: A mediator, Gerry.

The Chair: Are there any other comments on this action? Can we move along?

Mr Christopherson: We are done.

The Chair: Are there any other comments or recommendations? What is the will of the committee? Is it the will of this committee that we adjourn the discussion on this draft report and come back this afternoon with the final recommendations?

Mr Christopherson: I am sorry, Mr Chair, I was looking at the document.

The Chair: You said, "We are done," and I am trying to get a sense of where we go from here. Do we come back this afternoon to complete? Obviously the discussion on recommendation 4 of the third party has not been completed, but at the same time you said, "We are done." I am trying to get some handle on where we go from here.

Mr Christopherson: We would all still have to see the final document to give approval to it, would we not?

The Chair: I think before we can have a final document or give instructions to the writers for a final document, we may have to make some decision on recommendation 4 of the third party.

Mr Christopherson: Yes. The subcommittee is going to meet in about 13 minutes and I am wondering, if that is the only thing holding us up, whether maybe we can have a fast caucus and come back to the other two parties with a response on that recommendation. I do not know; I need to talk to my colleagues.

The Chair: Should we take an adjournment for five minutes and come back?

Mr Stockwell: Can they not do it and then write the final report subject to approval of that one recommendation?

Mr Christopherson: As I understand it, we have to come back this afternoon regardless, because we need an update on the subcommittee's discussions.

The Chair: Right.

Mr Christopherson: Let's assume that we come back with a response that is our hard and fast position one way or the other. What process would follow?

The Chair: If you come back with the wording of your response, there would be some discussion among the committee members about that and it would either go to a vote or it would be—

Mr Christopherson: I know that. I mean in terms of finalizing the report.

The Chair: I would ask at that point if there were any further discussion on the report as it stood. If there were no further discussion, I would take it that the report should go on to be drafted in its final version. That would then return to the committee, perhaps next week, for final recommendations.

Mr Christopherson: Okay, that is fine.

Mr Kwinter: Perhaps if I could suggest that if we could get a final draft prior to our caucus—your caucus meets Tuesday?

Mr Christopherson: Yes.

Mr Kwinter: If we could get a—

The Chair: Sorry to interrupt, Mr Kwinter, but Ms Anderson has just indicated that she can give us a final draft version of all of these updates this afternoon, except for recommendation 15.

Mr Kwinter: That was the point I was going to make. If we could get a final draft, we could come back next Thursday and be in a position to proceed.

Mr Sutherland: I do not think we need an update this afternoon of what we have done this morning, but if that could be in everyone's office tomorrow or Monday, we would be in good shape for Thursday.

Mr Stockwell: What is the hurry?

Mr Christopherson: The hurry is that it is a pressing issue and we want to get it into the hands of the cabinet as quickly as possible. That is the only thing driving it, and clearing the deck for our other work.

If you want to make it a return at 4 o'clock, that would give us time and we will try and finalize this last item. If everything else can be done, I am still in favour of using one hour this afternoon to get it finished, because starting next Thursday, we are going to be very busy people. That is just a personal point.

The Chair: Should I recess the committee now until 4 o'clock this afternoon with the subcommittee meeting starting right now?

Mr Phillips: Could I just raise one issue? I was rather personally offended to see a big survey done and released on cross-border shopping that I had known nothing about. I found it rather insulting, actually. I wanted to raise that here, that the Kitchener-Waterloo Record got hold of this and this makes this committee seem, in the cabinet, irrelevant. I will just say I was terribly offended also when you moved that the committee adjourn when the Treasurer was here. I wanted to register with you people that both of those things offended me.

Mr Stockwell: I am not sure why we could not have been informed that this study was taking place and had

some input into how they were doing the study. I was also somewhat offended to see the results in the Kitchener-Waterloo Record. I do not know if you people knew or not, but it really does make this committee—as I say, what is the hurry? I cannot believe that after commissioning that study the cabinet really cares what the hell we have to say anyway, considering it is out commissioning expensive

studies without any information going to the committee which is supposed to be looking into the matter.

The Chair: This committee stands recessed until 4 and the subcommittee will meet right now?

The committee recessed at 1138.

AFTERNOON SITTING

The committee resumed at 1610.

Mr Stockwell: One concern I had at the subcommittee meeting, and I would like to express it again today on the record, is the expert witnesses. We are going to have four. It would make more sense to me that if you are going to have one witness from both opposition parties, you would have one witness from the government. Thereby you could cut out an hour's worth of presentation or you could extend the presentations to an hour and 20 minutes each.

But it does not seem unreasonable to me to think that if the Liberals get a choice, we get a choice and the government gets a choice. I think you are assuming a lot if you automatically think both opposition parties are going to bring in someone strongly opposed to the budget. I am talking about the Liberals more specifically. There is a lot of stuff they support in the budget. But if we are going to go this route we should allow one witness per party. It seems reasonable.

Mr Sutherland: As was stated at the subcommittee, this is a very fair process. The opposition as a whole gets two witnesses and the government as a whole gets two witnesses. That is very even in balance. If we really wanted to be concerned about it, we could apply that to questioning, 50% and 50%, but we do not want to do that. We want to be fair, so we have divided it equally three ways, rather than saying the government side will have 60% of the questioning and the opposition will have 40% of the questioning.

I do think it is fair that the opposition will have its opportunity to have its witnesses forward and we will have an opportunity to have ours and we will have adequate time for all parties to question all witnesses in a fair and equitable manner. It allows for some reasonable perspectives to be brought forward and some time for committee members to make their analyses and question the analyses put forward by the different experts.

Mr Stockwell: I will be curious to find that this is the same kind of approach we are using on the tour, when there are appearances and requests for appearances to be made. I think it was clear the government never wanted to take the process, and I hope that we are dealing with this in a fair third-third-third fashion. So I will leave it at that. It is just that I want to be recorded that I consider this to be unfair, and when we go out on tour I want to be very clear that it be a very equitable split of time.

The Chair: Could I have a clarification of what you mean by "equitable split of time"?

Mr Stockwell: I was on the Constitution tour briefly. I found it to be lopsided in the witnesses who were being requested to attend. In fact, a consultant was hired, I think for a couple of hundred thousand dollars, to seek out certain groups to appear. It tended to slant the view of the constitutional tour committee. I just want to make sure that if we are going to go on this tour, this kind of attitude does not prevail, that this person was in favour in the budget or

this one is opposed and so on and so forth, and that if we are going to do this, we just do it in an evenhanded fashion.

Mr Christopherson: To ensure the record is fair, the difference here is that, quite frankly, it is going to come down to a pro or con on the budget in many ways. I doubt very much that either of you is going to be asking John Kenneth Galbraith to come in and be your expert witness. So there is very definitely a pro and a con position on the budget as a whole, although some experts may indeed say yea to some parts and nay to others.

The opposition parties would not be doing themselves any good if they brought in someone whom they were not sure of ahead of time to support the positions they have been taking in the House and outside the House. When you have a clear black-and-white issue like that, I think the distribution can be seen to be very fair. Otherwise what we are looking at is two con experts and one pro, which is unfair, particularly since we have the majority in the House. We asked for it to be divided this way for that reason. I would only suggest to Mr Stockwell that we cross the other bridge when we come to it, in terms of how we are going to arrange the groups that come in and the speakers and the questioning, etc. I think we will let fairness rule the day when those issues are in front of us.

Mr Stockwell: God bless you.

The Chair: Can we turn to the report of the subcommittee now? Sorry, Mr Ward. I apologize.

Mr B. Ward: Just as a brief comment, I would like to challenge Mr Stockwell's comments on the Constitution committee. I sat on that committee when it was in Brantford and I found the presentations to be very opinionated and balanced. They were not slanted one way or the other and were a good cross-section of the community in Brantford. So maybe where you sat—

Mr Kwinter: It is a contradiction in terms. They cannot be opinionated and balanced at the same time.

Mr B. Ward: Yes, but besides that—

Mr Stockwell: Overall balanced opinions.

Mr B. Ward: Yes. Perhaps something happened when you were on the committee, but when I was there it seemed to be a good cross-section of the community and everyone had a different opinion.

The Chair: Mr Stockwell's comments would assume a self-fulfilling prophesy from the Confederation committee, and I do not think that was the case.

Mr Stockwell: I do.

The Chair: Now can we turn to the subcommittee report? Would you like to walk us through it, Mr Sutherland?

Mr Sutherland: I think it is pretty straightforward, as the clerk has outlined here. Next Thursday we will attempt to accommodate what was said earlier in terms of Mr Kwinter being able to take the final draft of the report to the caucus and then come back and wrap that up. At that time we may need to adjourn for a few minutes and have another subcommittee meeting and talk a little more about

where we will be going in terms of committee hearings on the budget. Then at 11 the Treasurer has agreed to come back and will be allowed time for a statement of up to 15 minutes. He does not have to take that much. Whatever time is remaining will be divided among all three parties.

In the afternoon the Treasury staff will be coming in. They will be making a presentation of maybe 15 or 20 minutes, a technical presentation of the budget, and then time remaining will be divided three ways again for questioning.

The subsequent Thursday we will have four one-hour presentations from our so-called experts, with the government caucus providing two witnesses and the official opposition and the third party providing one witness each. Again, the same format as the Treasurer: Those people will be allowed up to 15 minutes for presentation and the rest of the time will be divided equally between the three parties for questioning. So that is where we are basically going to the end of the month.

The Chair: Are there any questions about this? At some point we have to decide the geographic locations for hearings as well.

Mr Sutherland: Yes, and that probably should be done at a subcommittee meeting first.

The Chair: If you notice the bottom, the clerk has indicated, "Other issues: Advertising for budget review hearings." We have to give him enough notice that he can put the advertisements in the local newspapers with sufficient time so that people can not only know we are coming but prepare briefs to present.

Mr Sutherland: If we are able to decide next Thursday in terms of where the communities are, I think that would give the clerk and people ample time to prepare. I am not sure what was officially decided today but I think it was that we would not be going out on tour for a few weeks anyway. I have not had a chance to confer with my people, but there was some indication that it may not be until late July that we reconvene.

1620

Mr Kwinter: I have not had a chance to talk to our House leader, but at our last caucus meeting he indicated to me that the leaders would not approve any committees sitting until the second week of August. That is what was indicated last Tuesday, and that is when I was told there would be three weeks starting the second week of August for 12 days, no Fridays, just Monday, Tuesday, Wednesday and Thursday. Whether that has been confirmed, I do not know. I also saw a list of where we were going. There are three or four days in Toronto and Thunder Bay and Kingston and Ottawa, wherever it was. Whether that is official, I do not know.

Mr Sutherland: We should have time to confer with our House leaders and caucus and be able to come to some conclusions next week.

The Chair: Are there any other items we should be discussing with respect to planning the hearings on the budget? If not, then do you want to do the budget now?

Clerk of the Committee: Sure.

The Chair: Okay. We will hand out the budget for this committee and we can look at that. While we are handing this out, maybe we can move to the second issue, and that is the translation of the cross-border shopping into French and provision of copies to the Treasurer and other relevant ministers prior to translation, printing and tabling.

The suggestion here was that, as soon as the cross-border shopping brief is done, we send it along to cabinet and the Treasurer, and if it is the will of the committee to have it translated, that the translation come afterwards, as we did with the pre-budget consultation. What is the will of the committee? Where do we go with that one?

Mr Christopherson: Was there not some discussion somewhere about trying to put French and English into the same report because it saves paper and we do not have a lot of extra reports floating around? It is the time factor. How much time do we have?

The Chair: Yes. What happened with the pre-budget consultation, after the final draft was put together, that was sent immediately to the Treasurer and then the finished report was published in English and French and then bound and sent out.

Mr Christopherson: In the same report. I am talking back-to-back pages too. It was done that way?

The Chair: Yes. If you need copies of that report, I have some.

Mr Christopherson: I have a couple kicking around. Thank you, that is fine.

The Chair: What is the will of the committee with respect to translation? Is the scenario I outlined fine?

Mr Christopherson: Sounds fine.

The Chair: Now, if we could turn to the Legislative Assembly standing committee on finance and economic affairs' budget, 1991-92, I asked the clerk to put together a budget for this coming year and this is what we have before us. Maybe we should take a couple of minutes to look through it and then we can discuss it. Did you want to say anything?

Mr Sutherland: No, I will wait until you are ready to start discussion.

Mr Stockwell: May I ask a question? What are witness fees and expenses?

The Chair: I believe the committee picked up the expenses to bring in some of the expert witnesses whom we asked in for the pre-budget consultation. If the same situation arose for this committee to invite in experts, then there are funds available to pay for their expenses to come before the committee.

Mr Stockwell: Well, you can probably strike that; we are just having citizens.

Mr Hansen: These were agreed upon by the subcommittee.

Mr Stockwell: Oh, I am sorry. Were they?

The Chair: Just to continue along, I think I understand your concern about money and how it is going to be spent. For the pre-budget consultation period we had a budget of \$74,000. We only spent about \$34,000, so we

not spend a lot of money in order to do the pre-budget. What happens here is that these are the normal expenses that may or may not be incurred by a committee that has to travel. If they are not incurred, that is fine, but if you do not have it in the budget when we go before the Board of Internal Economy and we need it, then we have missed the boat.

Mr Sutherland and then Mr Christopherson.

Mr Sutherland: A lot of it has been based on the eight weeks and I do not know where the clerk got that figure. I had never heard that we would be doing it for eight. The maximum I have heard is six, and then I am not even sure whether it was going to be a full six. I suggest they can at least be brought down to there. By next week they may be brought down more, but that is the most that I have heard of.

Clerk of the Committee: When I prepared this budget at the Chairman's request, I basically pulled figures out of the air, because without knowing exactly what we are doing and to what extent we are going to travel, they are really very rough estimates.

The eight weeks are based on four weeks of meetings during the summer period, and because this budget carries us through to next year, I am making the assumption that we would have some meetings during the winter period, perhaps in pre-budget consultation. So this budget includes a budget for our activities next winter as well.

Mr Sutherland: Oh, sorry. So this is the budget for the full 1991-92 year, not the budget for the 1991-92 budget hearings.

Clerk of the Committee: Right.

Mr Christopherson: Could I have a quick thumbnail sketch of who the nine staff are?

Clerk of the Committee: Depending on where we travel in the province to hold hearings, the French Language Services Act requires us to provide interpretation services on site. If we are travelling to a community where we are required by law to do that, we require three staff from broadcast and recording, three staff to provide the interpretation services, a Hansard reporter, the clerk of the committee and the research officer, for a total of nine people who would be required in those communities. There are a few communities in Ontario that are not covered by the French Language Services Act, so the interpretation staff would not be required, but nine would be the basic minimum virtually everywhere in the province.

The Chair: How would we travel? By bus, by air, or both?

Clerk of the Committee: Depending on where we are going.

Mr Kwinter: You are not going to go by bus to Thunder Bay.

Clerk of the Committee: By plane mostly.

Mr Hansen: Well, you know, I was a little scared there when it said \$1,000 for maps there.

The Chair: Mr Christopherson, have you completed your comment?

Mr Christopherson: My question was satisfactorily answered.

Mr Kwinter: I was just going to comment when Mr Sutherland made his comments that this is a budget that has to go to the Board of Internal Economy. It does not say you must spend it, but unless it is in there, you cannot spend it. So really it is sort of a ballpark figure that says this is what is potentially out there. I think all of us are mandated to be as economical and as careful as possible, but this is just the provision for it to be there. It does not mean you have to spend it.

The Chair: No, and in these times, I think it would look very good if we did not spend it all. Are there any other comments? Ms Ward.

Ms M. Ward: Why are there 56 days under meal allowances, as opposed to 30 days under meetings? Eight weeks, that would mean a seven-day week?

Clerk of the Committee: This budget makes provision for the maximum that could occur. Members are entitled to claim meal allowances and travel per diems on days other than when the committee meets. So assuming the committee were to meet Monday through Friday, members might travel to Toronto for the meetings on a Sunday and return home on a Saturday, so they would have a seven-week travel schedule and therefore would have seven days of meal expenses per week. It would be unlikely that that full amount would be spent.

The Chair: Before we go forward on that, the clerk has asked if the \$2,000 would be enough for witness fees and expenses and whether we would be giving honorariums to expert witnesses who would come before this committee. I have absolutely no idea of what has been done in the past.

1630

Mr Sutherland: As past practice, an honorarium has been given, and we have last year's expenditure figures.

Clerk of the Committee: I do not have them with me. I could bring them to the next meeting or send them to you in the meantime if you want to see them. As far as honorariums are paid, it is totally up to the committee, although the maximum the Legislative Assembly allows a committee to pay to an expert witness is \$350 a day. After the sub-committee meeting this morning, I was aware that we were going to be inviting some expert witnesses. If we are going to be offering the honorariums or offering to pay travel expenses to and from the hearings, it struck me that the \$2,000 might not be enough.

Mr Christopherson: Could somebody throw around a figure that might be more appropriate? Is it a global budget and the line items can be moved around by motion or by the Chair's direction?

Clerk of the Committee: Yes. All except for advertising and travel amounts, which require a change by the Board of Internal Economy. But on the other amount, if we over-expend in one line item and if we finish the year with a surplus, it moves from one item to the other. Considering that, perhaps you are right; we would have enough flexibility in other areas to cover it.

Mr Christopherson: I would hope so, but I am very conscious of what Mr Kwinter has pointed out. I think we saw that last time. I do not think we spent nearly what the entire budget was last time, but it was there if we needed it. Certainly the budget is one of the most important things we will deal with. My hunch is there is enough flexibility there even if you tripled it. I think if you take a look at some of the other dollar figures that have been allotted, we are not going to use the full amount. Unless somebody can make a good case—I am open to it—but I think it will probably be okay.

Mr Kwinter: If we run out, we will just go without lunch.

The Chair: Okay. When do we go before the Board of Internal Economy?

Interjection: I think it is the 20th.

The Chair: Are there any other items that we should deal with?

Mr Sutherland: On the cross-border shopping report, copies to the Treasurer, the relevant minister, before we table in the House—I am just wondering too about the day we table it—will we be sending copies to the Ontario Border Communities Task Force on Cross-Border Shopping and the Sunday shopping group or some of those other groups that we had before us?

The Chair: Yes. That was the same as the pre-budget consultation. We sent the pre-budget consultation report to every witness who appeared before the committee.

Mr Sutherland: Okay. Great.

Mr B. Ward: Mr Chair, is that after we table it?

The Chair: Yes.

Mr B. Ward: When the House officially receives it, then we can distribute it, but not before.

The Chair: Yes. How many copies are we going to create? I think that is an important question. There is a cost factor there.

Clerk of the Committee: On the pre-budget consultation report, we printed 1,200 copies, which gave a leftover amount after all of the other amounts we were required to have of 30 copies for each member of the committee, which is what had been agreed to at the time that the report was adopted. Members may or may not want that many copies of this report or may feel there is a larger public interest and the demand might be high.

The Chair: I seem to still have a large number in my office.

Mr Christopherson: There was a fair demand, an interest in the budget document, if you took per member and then the number of people from the pre-budget who were interested. I suspect this could have more appeal to constituents than a pre-budget consultation, which is probably of more interest to interest groups, which are more aware of the process and care about the dynamics. I would not want to do too much less than what we did the last time, because I could see members wanting to have copies available to constituents who ask for copies along the way or, when they read about it, would like one, or just if the issue is

raised. We all do get calls about it, so I do not know that shaving back a few hundred is really going to be saving anything at this point.

The Chair: So 1,200?

Mr Christopherson: What is the cost per copy? What does it work out to roughly?

Clerk of the Committee: We printed 1,200 copies of the report. The bill, I believe, was something around \$6,000, so it is about \$5 a copy.

Mr Christopherson: We all know in campaigns it is the initial cost that really bumps up the dollars. When you start adding 1,000 or 2,000 of the campaign literature at the end, it is relatively inexpensive. I would be comfortable going again with 1,200. I do not think that is way out of line.

The Chair: Fine. Are there any other items of business?

Mr Hansen: There is one thing on this. Maybe Mr Stockwell could give an idea, with the number of faxes that came in, of how many copies of the report would be required in the end.

Mr Stockwell: How many faxes I got?

Mr Hansen: Not so much, but all these requests for the budget.

Mr Stockwell: Oh, yes. Most of those did not want the budget, though.

Mr Hansen: No, but they want to see the end result of this task force going around the province on the budget.

The Chair: We are not talking about that budget. We are talking about the cross-border shopping document.

Mr Hansen: I am sorry. I got off that one. Okay.

The Chair: We have not even discussed that.

Clerk of the Committee: So 1,200 of the cross-border shopping?

Mr Stockwell: That is fine by me.

The Chair: Any other items of business? The way it was left, there is one item left on the report to consider. Has the government caucus caucused?

Mr Christopherson: Always working. We would like to respond to the recommendation of the third party, which we acknowledged was similar to that contained in recommendation 10 of the Liberal document. First, the point, we thought, was well taken and we could see this as an effective tool for all of us. What we would like to suggest is the following language that would amend the number 4 proposal:

"The Ontario government should produce and make publicly available an analysis of the impact on jobs of any relevant legislation or regulations it proposes to introduce or amend as it relates to cross-border shopping."

The Chair: Are there any comments?

Mr Stockwell: It is going to be a very difficult job to determine exactly the piece of legislation or regulation that affects cross-border shopping.

Mr Christopherson: If I could suggest, no more so than the subjective opinion of what will impact on competitiveness and what does not.

Mr Stockwell: Right, except you are looking at all legislation and regulation.

Mr Christopherson: Except the focus of this whole exercise is to talk about cross-border shopping, so we thought it was fair to target it to that issue. The way it is ordered, we are not prepared to support that amendment, but something very close to it we are.

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Mr Kwinter: I appreciate the intent and the attempt to accommodate the principle. The problem I have is that when you put in the words "cross-border shopping"—and I'm just giving you my perception; I do not know whether it is right or not—there is a tendency to say, "What that does it relates to the border communities," and to make sure that whatever we do does not sort of exacerbate that problem, whereas when you take a look at cross-border shopping, you have to take a look at the total context of why people are going across and shopping in the United States.

The problem I have is that somewhere along the line, if we adopt your words, someone is going to arbitrarily make the decision that by our increasing whatever it is, whether it be an employer tax or whatever else, it is not going to really impact on cross-border shopping so we do not have to worry about it, whereas this particular thing is going to relate to cross-border shopping so we should take that into consideration.

Who is going to decide what particular measure impacts on cross-border shopping and which one does not? There may be a difference of opinion, maybe a great difference of opinion. Let's say the minimum wage, a perfect example. You may not look upon that as a cross-border shopping issue, but it may be. I would suggest it certainly will be. But that may be looked at and it may be said: "What has that got to do with cross-border shopping? That has to do with our commitment to raise the minimum wage and as a result we don't have to really apply that particular test." That is my concern.

Mr Christopherson: I hear your point and it is well taken. I certainly respect it. If you take a look at the wording proposed even by the third party, the word "relevant" is about as subjective as you can possibly get. I think the issue you raised is important, but that is an argument that will always take place, particularly in this place, so it is a question of how focused we want to make it.

Mr Stockwell: "Relevant" is there. For instance, let's deal with today's agenda, Bill 36, to review the legislation on assessment and the collection of the information. We put "relevant" in there because we really do not think that has a lot to do with or would impact in any great detail or has anything to do with cross-border shopping or financing or costs of doing business.

Mr Christopherson: But would you agree someone else could say they do? I mean, they would have the right.

Mr Stockwell: I do not suggest that anyone does not have the right, but I think anyone in his right thinking would say—

Mr Christopherson: In your opinion.

Mr Stockwell: I guess the point I am making is, by defining it strictly to cross-border shopping, you have made a very narrow interpretation of what we were striving for

here. I think Mr Kwinter makes an excellent point. The minimum wage is an example, and I can give you other ones that in the way they are dealt with in the House, very little comes up with respect to cross-border shopping but they do affect the cost of doing business at a border community.

So we did not want to just specifically say, "Okay, a cross-border shopping issue," because all kinds of decisions we make in the House affect cross-border communities and "cross-border" never comes up during the debate. Minimum wage is a very good example. Here is an example of where we are going to talk about increasing the minimum wage, which will then make those cross-border towns that much more uncompetitive. We will have no relevant study in which to make that point.

Mr Christopherson: I would disagree. I do not think it really takes away from your ability to make the obvious—

Mr Stockwell: Like minimum wage?

Mr Christopherson: I would think so. You would make the argument. I do not think this negates your ability to make that argument under this language. There may be something else extraneous that you might feel is lost in this focus, but then, to be frank, what we are trying to do is keep this document relative to the issue at hand and not see it used as a tool for other things. If you want that analysis for other things, there are other places and ways to do it.

Mr Stockwell: No disagreement, but even you will accept the fact that any impact on the tax point of view, any changes to the taxation level, are going to affect cross-border communities. Everyone will accept that. It is up to your government, if this is adopted, to say, "Fine, we should produce and make public an analysis of the effects of any relevant legislation or regulation." That means when they are doing it in concert, is there analysis? There is no point in bringing the legislation forward, having me stand up and say, "Gee, where's your analysis?" and you saying, "We didn't really think it was part of this," and then asking for it and by the time you end up getting the analysis, the legislation is through the House.

Mr Christopherson: But what I am arguing to you is that you could find yourself in that position regardless of which wording you use. You still have to make the case if the government decides that a job impact analysis is not necessary because it does not think it relates to competitiveness. That debate, that difference of opinion, may still occur.

Mr Stockwell: I agree, but the gap is significantly reduced.

Mr Christopherson: Right, and we make no bones about the fact that we are trying to narrow the gap and focus it, and we are substantiating that by saying, "This is a report on cross-border shopping." So all we have said is that the legislation we are talking about is things that impact on cross-border shopping. Bear in mind we have already said earlier in other recommendations that the impact overall on cross-border shopping should be a factor in all legislation that the government looks on henceforward. We have agreed to that with you.

Mr Stockwell: All right.

Mr Kwinter: I just wanted to illustrate a couple of practical examples. Believe me, I hope it will be interpreted as not being partisan. There are two situations that have happened within the last month in the Legislature that indicate to me the need to really bring to the attention of the government the need to take a look at this particular issue.

Number one is the gas guzzler tax. The thing that disturbs me about that is that somewhere, 30 people, more or less, give or take one or two, sat around at a table and thought that was fine. They looked at it, someone had to approve it and said, "Yes, that's what we are going to do," without, obviously, any consideration as to the impact it was going to have on some jobs. Now that it has sort of been brought to the attention of these people, they are scrambling around to say, "Okay, let's see how we can address this."

My concern is, there has to be an awareness level before these people say it is all right. They have to say, "Hey, let's just think about this thing." I know you have an agenda out there for the environment, but is it going to be effective and what is it going to do to some jobs? Now there is going to have to be some retrenching. Exactly the same thing happened with Bill 70.

Again, without being derogatory, without being critical, you do not have to be a rocket scientist to have seen the provisions that were there. I can tell you, when I first saw it, I stood up in caucus and I said: "This is absurd. These guys are going to drive business out of this province. The business community is going to go wild. I have never seen such draconian legislation."

I am not telling any tales out of school. Some of my caucus colleagues said: "It's not so bad. You're overreacting." I said: "Trust me. I am a businessman. I can tell you that it will drive them wild." I have not heard of one piece of proposed legislation that has so gotten the attention of the business community as Bill 70. What happened? The minister had to stand up and say, "Okay, we're going to take all that away." I am telling you, if you think we have a problem now in Ontario with the economy, that would have been the final nail in the coffin. The point is—

Mr Christopherson: The point is, we listened.

Mr Kwinter: It happened, but the point I am trying to make is, it would have been a lot better if someone had taken a look at that before it came out, because the genie is out of the bottle. Yes, it has been retracted, but there are hundreds of thousands of people out there who are saying, "You know about that law they are putting into Ontario?" and they have not heard that it is not going forward. All they are talking about is, "You know they're going to make directors responsible for severance or wages or pensions a year after they leave?" It just has a negative impact on jobs.

The point is that there has to be someone waving the flag before it happens, so they say: "Let's take a look at this thing. What is its impact going to be on jobs in Ontario? If it's going to be negative, let's look at it." If you just equate it and use the term "cross-border shopping," that is a problem, but it is a manifestation of another problem. That is competitiveness and everything else.

My concern is I do not want to see another gas guzzler tax or another Bill 70 provision that gets through, because we have said this and they do not equate it to cross-border shopping. They do not say: "What's that got to do with cross-border shopping? Forget about it," whereas our whole fiscal responsibility, our competitiveness and our job creation is something that I think every single piece of legislation should be measured against: What is this going to do to the job market? What is it going to do to our ability to keep the economy of this province viable? We have to weigh it in that perspective.

It is important and I just feel that if you restrict it to the terms of cross-border shopping, a lot more of those things are going to fall through the sieve. They are not going to get caught because people are not going to make the relationship. They are going to say, "This has nothing to do with cross-border shopping, so forget it."

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Mr Christopherson: Listen, I have great respect for your position and what you have argued. I think it is just a question of you would like it as wide as possible and we would like to keep it as narrow as possible.

Mr Kwinter: Why though?

Mr Christopherson: Why not? There are other committees that are dealing with other issues. It is your job, of course, to try and get as many tools in your hands as possible, through whatever means possible, that help you in your job in opposition. It is our job, I think, to try to represent the government point of view, which is to ensure that we are dealing with the matters at hand and that we are addressing in a fair, equitable fashion the issues that you raise in opposition to what we propose on this committee as they relate to the issues that we have before us. The issue before us is cross-border shopping.

I think that really what it comes down to is that there is a partisan difference here, and there is a difference of opinion based on the fact that you have got government members and non-government members. I think the arguments you make are correct in their own right but go further than we are mandated to look at here. That is our position.

Mr Kwinter: Could I just respond to that for a minute? What I would suggest is that by making it less narrow, you do not necessarily make it broader. I am not saying that it should be an all-encompassing thing, that every single thing should be looked at, but what I am saying is that the minute you put in the words "cross-border shopping" you restrict it to the point where it is a very narrow focus. I am not in any way trying to be specific and say that every social service activity, everything—I am just saying that you could just leave it non-specific but also non-broad. You can interpret it any way you want, but I just feel this is too restrictive.

Mr Christopherson: I hear you, but to pick up on the example you started to use, a social service, it would probably be a stretch to make that apply to the cross-border shopping, although one could stand up and argue to some degree. I mean, you could reach and find arguments. If you made it the issue of a competitive position, certainly our friends in the third party might begin to argue about the

st of social programs and how that impacts on competitiveness.

Mr Kwinter: Well—

Mr Christopherson: Just let me finish. The one thing is not is to run away from the word “competitiveness,” which seems to be a favourite point of discussion among my friends in the media these days. Contrary to that, we are not afraid of the word. In fact, I think and hope we are dealing with it head-on, because we need to. All we are trying to do here is keep this recommendation focused on the issue that is at hand.

Mr Stockwell: I guess my problem is I do not really understand—

The Chair: They liked you down the hall.

Mr Stockwell: That is because I—no, they were not happy because you introduced me.

My problem is, I hear your arguments, but what comes to my mind is, so what? All we are looking for is information when you are making a decision. If the third-party members push this to the extreme and say, “According to social services, we need that benefit,” I do not think it will happen, but so what? All you are getting is more information. I think that is what we are here to try and get, information.

If you are going to suggest that by including it the way it is phrased now we are going to have too much information or you are going to allow us the upper hand because we learned what really happens when you introduce certain pieces of legislation, that is really shortsighted. It is reasonable.

I think the two examples cited are clear indicators to me why you as the government would be agreeing to it, because you can save face. Rather than backtracking some few weeks or months later, you can learn all this information up front, and if you are going to continue on with the legislation, you can line up your arguments beforehand. It just does not make sense to me why anyone would not want the information about what this legislation will do to affect jobs and competitiveness. Why anyone would not want that information is beyond me.

Mr Jamison: I do not know. I think the proposal of the government side here does not limit you from looking at anything. The report itself is a report that deals with cross-border shopping. That is what we are dealing with and trying to round out here. It is a cross-border shopping report from this committee. I do not know how that could cause anyone heartburn. That is what we are doing here today. Certainly the effects of different legislation, pending legislation, tax increases or decreases, can be weighed in and factored in.

In a non-partisan way, as you have already said, Monte, I really do not understand this debate that has been going on here for the last 15 minutes, because in my mind it is not restrictive. The wording that has been put forward really does not hem us in. I know that as a government member, I want to be able to scrutinize, just the same as the opposition and the third-party members, the effects of any legislation that would affect the particular issue we are dealing with in committee now, the cross-border shopping report from the finance and economics committee.

The whole situation on cross-border shopping is vast really. There are multitudes of things that could affect that particular issue. I do not understand why this has caused this committee such a long and strenuous kind of debate around particular wording when the wording we are in fact debating is “cross-border shopping.” I just do not understand why we are allowing ourselves to get off the track on this thing.

The Chair: Ms Anderson has brought a question, and that is, are we dealing with the amendment to the third party’s number 4 as a separate issue or are we dealing with it instead of what would be number 15 of the report?

Mr Christopherson: No. It was a separate point. We thought it was strong enough.

I will just make one point and then that is our position explained ad nauseam. The last thing is—and I think Mr Kwinter twigged to it when he said that we tried to accommodate—the fact of the matter is that if we were not interested in having information come out, then really, politically, internally within the government, the best thing for us to do would have been to just ignore number 4 and set it aside, because information is something that is not always desired by some individuals in some circumstances, but we thought the point was well taken, and I say that with all due respect. All we wanted to do was to make sure that indeed it was relevant to the issue before us and that it was not in any way a back door—

Mr Stockwell: I give up.

Mr Kwinter: Mr Chairman, just to reply to Mr Jamison, you have not seen me in a prolonged debate. You have not seen me in a strenuous debate. If you think my objection is prolonged and strenuous, it was really just a comment, just something that came up, and I was putting forward a point of view. It is certainly not something that, as I say, I had given any prolonged effort or any strain to. It was just a matter of pointing it out in the same way that the last time we met I raised the question about the word “panacea.” I am just raising it. I am quite prepared to have it discussed, as we have, and to move on. That was it, no more, no less.

Mr Stockwell: Okay. Let’s go with yours.

Mr Jamison: I look forward to the day when I can see you in a strenuous debate.

The Chair: I was just going to ask, is this a threat, a warning or a comment?

Mr Stockwell: He only gets to those in caucus.

The Chair: Are there further comments to the report?

Mr Christopherson: No, we are satisfied with the report as amended to this moment.

The Chair: Are there any further comments about any part of the report, or can we pass this along to the writing team to put together a final draft?

Mr Stockwell: We reserve the right to take it back to our respective caucuses. Okay.

Mr Christopherson: I just wrote that one now. I do not think there will be a problem.

Mr Stockwell: Water off a duck for you guys.

Mr Christopherson: Usually you would think the other way around, would you not?

The Chair: Are there any other items of business we should deal with now, or do we adjourn this committee?

Mr Stockwell: I move adjournment.

The Chair: All in favour? This committee is adjourned till 10 o'clock next Thursday.

The committee adjourned at 1700.

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1991-1992 budget

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Clerk: Todd Decker

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Budget de 1991-1992

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 20 June 1991

The committee met at 1018 in committee room 1.

CROSS-BORDER SHOPPING

The Chair: I think I am going to see a quorum and begin this because, as Mr Kwinter indicated, at 10:30 he is to go to a meeting and we want to be sure that we wrap it up so that when the Treasurer comes in at 11 o'clock we are done with the cross-border shopping.

Where would we like to begin this morning? Have we noticed any changes we would like to discuss or are there any outstanding issues we need to address?

Mr Christopherson: On the first point from Anne, does the committee wish to indicate in the report those commendations that are unanimous?" obviously we would like to. I think that is entirely in the hands of the opposition members as to what their comfort level is with that idea.

Mr Kwinter: Both our party and the third party have indicated we are going to be putting in minority reports. There are certain proposals in here that I personally, and I assume my colleagues, do not have a feeling about one way or the other. It was not something sufficiently outrageous or contentious that we wanted to dispute it, but it was not something we thought was the be-all and end-all. It was just there and we said: "We have no problem. If you want to put that in, go ahead and put it in. We don't really have a problem with it." The ones we do have a problem with we are going to address in our minority report.

From that point of view, I would be just as happy without commenting one way or the other whether it is unanimous or not. The fact is it is in the report. It is the report of the committee and we will sign it, but I would feel a little uncomfortable giving the impression that I have 100% agreement with every single one of these things. I do not have any great disagreement with them but there are two or three of those things I just do not have a feeling about one way or the other. I do not know whether anyone else wants to comment.

Mr Christopherson: That is fine. That really is fine. No argument from us whatsoever. I can appreciate your position. The only thing I would suggest is that some of the recommendations may have added weight with the cabinet if it were indicated that these are things the three of us agree on. I just leave that thought out there, and if the opposition is not comfortable with that way, we certainly respect that.

While I have the floor, I would just acknowledge that in the next point, the two recommendations from Anne are also acceptable. On the third point, I think it is probably appropriate that we indeed show the revised estimate and keep the report as current as possible, as close to the date that appears on it that we completed our work. I think that makes good sense.

Ms Anderson: If I can just make a suggestion for some wording for that, perhaps on page 6, at the end of paragraph 2, we could add some words, something to the effect of, "A subsequent study by the Ministry of Industry, Trade and Technology, publicized after the committee's hearings, estimates the loss of retail sales to be \$2.2 billion, more than double the previous estimate."

Mr Christopherson: Whatever reflects the truth.

The Chair: Are we comfortable with that? Any discussion on that? Seeing none, are there any other points?

Mr B. Ward: Are we wrapping up the report?

The Chair: Yes, we are. That is our hope. My sense from the committee was that is what we would try to do this morning.

Mr B. Ward: Before we finalize everything, two or three weeks ago I asked research to see if it could find information on the economic status of the American border communities and states. We received a report that was a tax comparison between us and the Americans, but we never did get information on the economic wellbeing of the American communities. I am just wondering if it was perhaps too difficult or we just could not do it. Some questions, in my mind, are still there.

If Buffalo is receiving all this economic activity from Ontario companies through relocation, why in the last year or so did it feel compelled to shut down its transit system because it could not afford to pay for it? New York City's mayor, just a week and a half ago, went on record as saying that they are going to have to shut down every fourth streetlight because they cannot afford to run them. I do not know why they have to do that. Perhaps Anne could clarify that. Maybe that information is not out there and that is why our research could not come up with some report on the economic health and wellbeing of the American communities and states at borders.

Ms Anderson: The information is difficult to compare between the different states and the different—

Mr B. Ward: I am not saying comparing.

Ms Anderson: Perhaps there was a slight misunderstanding. I thought you were trying to find some kind of comparison between the bordering states and Ontario, and that is partly what the tax information was to address.

Mr B. Ward: That was what we received, the tax comparison, but it never really covered why the American communities and states are in financial trouble if they are doing so well. It never really touched on that. Perhaps it is too late, because we are closing the book on this chapter, but if we happen to have cross-border shopping come back to this committee, that is something we would want to take a look at in greater detail.

The Chair: Mr Sterling moves that we add recommendation 18 to the report, and that recommendation 18 be, "The Ontario government should roll back the gasoline, fuel, alcohol and tobacco tax increases imposed by the 1991 budget."

Mr Sterling: I would like a recorded vote on this, Mr Chair.

The committee divided on Mr Sterling's motion, which was negated on the following vote:

Ayes—4

Kwinter, Miclash, Phillips, G., Sterling.

Nays—5

Christopherson, Hansen, Sutherland, Ward, B., Ward, M.

The Chair: Mr Sterling moves that we add to this report as recommendation 18, "The Ontario government should harmonize its provincial sales tax with the federal goods and services tax."

Discussion?

Mr Christopherson: Just a question. Norm, for simplicity's sake, are you just moving the recommendations that were on your page?

Mr Sterling: Yes. It is recommendation 2.

The Chair: Hearing no discussion, all those in favour?

Mr Sterling: I would like a recorded vote as well.

The committee divided on Mr Sterling's motion, which was negated on the following vote:

Ayes—1

Sterling.

Nays—8

Christopherson, Hansen, Kwinter, Miclash, Phillips, G., Sutherland, Ward, B., Ward, M.

The Chair: Mr Sterling moves that the Ontario government should produce and make publicly available an analysis of the effects of any relevant legislation or regulations it proposes to introduce or amend on the competitive position of the Ontario economy or, where appropriate, on specific sectors.

Mr Christopherson: Briefly, I just want the record to show that in our previous discussions we did offer up a response to that. There is now language in the main report that we believe deals with the substantive matter contained in the motion, but we recognize the changes that the opposition would like to see, and hence the motion that is before us, but the record should reflect that we do believe we accommodated much of what recommendation 4 says.

The Chair: Further discussion?

Mr Sterling: It is a recorded vote too, Mr Chair.

The committee divided on Mr Sterling's motion, which was negated on the following vote:

Ayes—3

Miclash, Phillips, G., Sterling.

Nays—5

Christopherson, Hansen, Jamison, Ward, B., Ward, M.

1030

The Chair: Mr Christopherson moves the adoption of the report as contained in draft 3 with the amendments that were made today.

Mr Sterling: I am going to vote against the report and we will be submitting a dissenting opinion. I consider the report to have no significant recommendations which will in effect, deal with the cross-border shopping issue and alleviate the concerns of border communities. I believe most of it is recommendations which will have, perhaps, little effect, but not very much effect on the problem.

The committee divided on Mr. Christopherson's motion which was agreed to on the following vote:

Ayes—6

Christopherson, Hansen, Jamison, Sutherland, Ward, B., Ward, M.

Nays—3

Miclash, Phillips, G., Sterling.

The Chair: We need to have a deadline for the dissenting opinion so that we can get the report to the Treasurer. He has indicated to me that sooner rather than later would be his preference, so what is the will of the committee in terms of the dissenting report?

Mr Sutherland: If I could make a comment, I think it is important that we have this report ready to release before the House adjourns. I think the positions have been very well-thought-out. The Liberal caucus has brought forward its recommendations, and we debated them, and I think they know where they are going. As for the third party, I think we have been very accommodating in waiting for initial recommendations to come forward. I think one of the reasons they were delayed is because the two members who were supposed to represent the third party on this committee decided that the budget hearings across the province by their caucus should take precedence over the official business of the House, and we have been very accommodating there. So I hope we would have a very short deadline so that we can have this report tabled in the House before we adjourn next week.

The Chair: Are you recommending a date, Mr Sutherland?

Mr Sutherland: I guess I need to know, once those reports are in, how long it would take to attach them and then have the whole report tabled in the House. I am not quite sure; is it a day process, is it a two-day process?

The Chair: The clerk is informing me that it has to be translated, then bound, then prepared to present to the House. Perhaps you would like to comment on the possibility of doing it before next Thursday.

Clerk of the Committee: The translation is really a time-consuming process. Even if we had the dissenting opinions by tomorrow, I am not sure we could get it translated in time. The committee could agree to table an English version, with the French to follow, although last week in discussion, the committee agreed that it wanted it together back-to-back in the same document.

Mr Hansen: Is it not possible to translate this document here? It would be a very short document from each of the other parties, the opposition party and the third party, and possibly we would be able to meet the deadline.

The Chair: As the clerk has just informed me, it depends on the deadline for the dissenting opinions; obviously the deadline would have to be sooner rather than later. Do we have a date?

Mr Sterling: I would hope to be able to provide you with a dissenting opinion by Tuesday of next week, which is only three or four days from now. I had hoped that there would be changes with regard to the government's report, so I call this committee's report. We may be able to have it done before that time.

The Chair: The clerk has informed me that the body of the report could be sent out to begin translation today, and that the dissenting reports could be translated and in some version, not bound, but perhaps a photocopied version that could be tabled in the House by the end of sitting next week.

Mr B. Ward: If you get it Tuesday.

The Chair: Is that the instruction to the clerk? We need a motion.

Mr Christopherson moves that the opposition be requested to provide their dissenting reports by Tuesday of next week, to the clerk of the committee.

Motion agreed to.

The Chair: Do we need a motion to table it in its unbound form?

Clerk of the Committee: No, that is not a problem, but does the committee want to have the report simply tabled, or tabled and debated with a motion to adopt the recommendations?

Mr B. Ward: Do you need a motion for that?

The Chair: I would think, yes.

Mr B. Ward: I so move.

The Chair: Which one?

Mr B. Ward: What is normal procedure here?

The Chair: With the pre-budget document—it was first tabled—there was no debate.

Mr B. Ward: Is that normal procedure?

Mr Sterling: That does not matter. They do that in case they want to debate it some time in the future, because it is up to the government House leader to call it or not. That is the normal procedure.

The Chair: Standing orders also give this committee an option to ask for comprehensive comment from the government on the recommendations within 180 days of the tabling of the report.

Mr Sterling: Sounds good to me.

Mr Christopherson: This side of the room, the government side, has continually said how important we consider this matter to be, and that we want this report to have some strength to it. That has not been rhetoric; we mean it. I think that asking for that kind of response is consistent

with the message that we have sent our colleagues, and I think we would agree to make that request also.

The Chair: Are there any other comments or discussion on the report? Then I consider this matter to be closed and I thank the committee for their co-operation. The Chair has appreciated that. Since the Treasurer is not going to appear until 11 o'clock, are there other matters of business this committee should consider before we hear from the Treasurer?

Mr Christopherson: Is Norm going to be driving the bus when we travel in August?

Mr Sterling: Are we travelling in August?

Mr Phillips: Have the dates been set yet?

Mr Sutherland: Correct me if I am wrong, but I thought we were meeting the last week of July, starting 29 July, for four days here—

Mr Christopherson: Could I interject for a moment and indicate that we are now moving into the discussion of the budget and the budget itinerary for the upcoming hearings.

Mr Sutherland: Probably what needs to be done is another subcommittee meeting just to confirm some of those details before we formally discuss it here. I was under the impression that we are meeting, starting 29 July, the week before the civic holiday, for four days, and then we take the week of the civic holiday off, and then we are back for, I believe, three more weeks of four days travelling around. That is tentatively what I have heard. I would not want to be held to that as a final in-stone decision.

Mr Sterling: What are you going to do if we do hold you to it?

What are the four weeks? Do you know, Mr Chairman?

The Chair: Other than what Mr Sutherland has just said to you, I—

Mr Sterling: Okay. Why do we not discuss it when we have the information?

The Chair: The other point we have to settle here concerns the expert witnesses who are being brought forward by the parties.

Mr Sutherland: May I suggest, Mr Chair, that if we could have a subcommittee meeting on Monday some time, we might be able to get all those issues resolved in terms of what weeks the committee is holding hearings and who exactly the expert witnesses will be. I do not know whether Mr Kwinter is coming back—

Mr Phillips: He will be back.

Mr Sutherland: Okay. Maybe we can agree as to when we can have a subcommittee meeting on Monday to finalize those details.

The Chair: All right. Are there any other matters before the Treasurer arrives? Should we take a short recess until about five to 11, so that we are here in time for the Treasurer? Is that agreed? I think it is agreed.

The committee recessed at 1041.

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1991-92 BUDGET

The Chair: I would like to call this session to order. We have with us this morning the Treasurer of Ontario to discuss the budget. Welcome, Mr Treasurer. I understand you have some opening comments you would like to make.

HONOURABLE FLOYD LAUGHREN

Hon Mr Laughren: Thank you for the invitation to appear here. Despite what others might have said, I welcome these hearings. I think they are an opportunity to have a good debate on the budget and substitute some light for the heat that has been there on it. So I really do look forward to it.

I am very pleased as well that you have decided to travel; I gather you have decided to travel. I do not know your exact schedule, but I am really happy about that because there are a lot of people out there who want to know the whole story on the budget, not just the distortions that have been raised about it. So I am really happy that you are going to be travelling across the province. I do not know how much time I am going to be able to spend with you on that, but they are not my hearings anyway. They are your hearings, not the Treasury's.

With me this morning is Bryan Davies, who is the Deputy Treasurer. He will help me out on any questions you might have that I do not know the answers to. There are some other people from Treasury here too who will help out if you have questions that are perhaps too technical or that I simply do not know the answer to.

I think the job you have to do is an important one. As a long-time advocate of the committee system in this province, I almost envy you, Mr Chair, as you head across the province in August, I believe, conducting these hearings.

It has now been about two months since the budget was brought down, the first budget we have ever had the opportunity to deliver in this province. There has been a lot of debate over the budget, some in the Legislature, although not as much as I would have liked. I really wish we could have got on with the debate on the budget, but that is history and I will not dwell on it. There has been a lot of debate in the media and the fax lines have even heated up, dealing with the budget. I am happy that we are now in an open legislative process, where we should be debating the budget. It is an important budget, it makes some important statements and I am really pleased that we have reached the point now where elected representatives are having an opportunity to debate it.

I wanted to start off by putting the budget in the context of the economic conditions in which we find ourselves and in which we found ourselves as we were drafting the budget. The recession, as we know, is the worst that we have experienced since the Second World War. We lost over 250,000 jobs last year, basically private sector jobs, in this province. The manufacturing sector in particular experienced a very severe decline in output. House sales and car sales dropped dramatically and capital investment was down as well.

We just received the Canadian figures for the first quarter of the calendar year, the January to March period. Taking that first quarter and transferring it into an annual rate, the real gross domestic product declined at an annual rate of 4.6%. When you combine that with the fourth quarter of last year, which was down to minus 4.9%, it is the worst two-quarter decline in GDP since the recession. That is how serious the recession has been.

Interjection: Since the war.

Hon Mr Laughren: Since the war at least, yes. That is why there were 260,000 jobs lost in the economy of Ontario. Ten years ago when there was a recession, there were about 223,000 jobs lost, so it is more severe. I will comment on the nature of some of the closures too.

The drop in economic output in Ontario saw a decline from an average of 3.6% of annual increases in the 1980s to minus 3.3% in 1991. That gives you an example of the magnitude of the drop.

We are certain as well that the recession has signalled some very fundamental changes in the Ontario economy. The shift is going on away from manufacturing and toward the service industries, and that has been accelerated while this recession is on. We need to adjust to that new reality.

It was against that backdrop of a severe recession that we found ourselves planning for and then delivering our first budget as a government. We made a decision, and have not had a moment of doubt or second thought or hesitation that our decision, a deliberate decision to fight the recession rather than the deficit, was the right one. We would do it again. I am proud that we decided to fight this recession and protect people in the worst recession since the Second World War.

The \$9.7-billion deficit that people do not like was not caused by a wild spending spree. By no stretch of the imagination was it caused by that. The effect of the recession on revenues and expenditures is really what got us there not because we are a big-spending government.

If you look at the results of the recession just on our revenues, for example, you will see that in 1991, if we were to experience the same revenues as we had because of growth in the 1980s, our revenues would be between \$3.3 billion and \$3.7 billion higher for 1991-92. In other words, if we had had the same kind of growth that we had been rolling along with in this province, approximately \$3.5 billion in increased revenues would have come our way.

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On top of that, we had the federal government. I do not think anybody has disputed this fact; not even the Tories in this House have disputed the fact that the cutbacks in transfer payments from the federal government cost us about \$1.6 billion. We had to make up for that, my friends. You never bring that into the equation when you talk about it in the assembly, I notice.

We have statutory obligations to pay people assistance when they lose their job, at least partly because of the new regulations on the UIC, I might add. We have a statutory requirement to pay those people assistance when they go off unemployment and on to social assistance. Unless you believe we should just turn them on to the streets, we have

obligation to pay those people some income maintenance. In 1991-92, that will be up by about \$1.4 billion. That is a lot of money and that is a statutory requirement. That is a 40% increase, and do not tell me that this government had any role to play in causing those welfare rates to go up 40%. You might look to some other people as to why we have a recession like this.

That is why I get very angry when I see the federal Tories criticizing Ontario. Their high dollar and high interest rates had more to do with this recession than even the previous government did, so I think we should put in perspective just why we are in this recession and how we had to cope with it and why we had to cope with it.

I want to get into some more options that we could have dealt with if we had wanted to satisfy the Tories and not have this deficit, and I am going to be very specific this morning.

We really believe we made the right choice. This year we are spending \$4.3 billion in capital expenditures. When the private sector tells me we are spending too much and that the deficit is too high, I say to them, "Should we cut back on capital expenditures?" I hear, "Well, no, you really shouldn't cut back on capital expenditures because that is an investment in the future."

Besides, who does the capital expenditure work? When we spend money on capital, who does the work? It is the private sector that does the work, so there is an advantage to the private sector in our spending that \$4.3 billion in capital.

More important, it is an investment in Ontario. I hope the people in this room will read budget paper E attached to the budget because there is a clear statement in there of how we view Ontario. We believe that putting money, capital expenditures now, is what is going to make Ontario competitive in the future. We feel very, very strongly about that and I have not had too many people complain about that.

We know as well that the deficit has helped maintain and create—a combination of those two things—70,000 jobs. If you think that 260,000 jobs is not enough jobs to lose in the province and you would rather have 330,000, then stand up and say so, because that is what this deficit did; it protected or created 70,000 jobs.

The anti-recession package alone, the \$700 million package which, when you add on the local government contribution, came to pretty close to \$1 billion—the last number I saw was about \$940 million or \$950 million—created about 14,000 jobs in the province; person jobs, not all full-year jobs because a lot of the projects were short-term and it was all capital project jobs.

Those were not programs. They were not programs that are going to be built into the system and continued; they were capital works that needed to be done anyway. They were on the shelf waiting to be done. We either did them in the future or we did them now. But why put them off? Why not do them now when they are desperately needed? The jobs are needed and the improvements to our infrastructure in this province are needed now as well, so why not do it now? And yet I hear the Tories telling me that we should not be doing that kind of thing because our deficit is too high. Well, fine. Tell us that you do not want those jobs out there, but do not pretend that you can have it

both ways, that you can create jobs without having a deficit at a time of recession. It is simply not possible.

We did in this budget expand training opportunities for workers who want to enter or re-enter the workforce. We are committed to reforming the social assistance system and we have put \$215 million into reforming the system, because if I feel strongly about one thing, it is the term "transitions" in that Social Assistance Review Committee report, transitions from welfare to work. We want to do that in a very positive way and that is what that \$215 million in the budget is designed to do. We think that is what people want; they want that system reformed. Everybody tells us that, the private sector, the public sector, the recipients, everybody wants that system revised. Well, you cannot do it for free. You better get that in your heads. It costs money to reform the social assistance system and get people back to work, and we think now is the time to do it, both in terms of training and counselling and getting people back into the workplace.

For people at the bottom end of the income scale, we are providing tax relief through the Ontario tax reduction program, the largest enrichment in the history of this province, and we are very proud of that. Unless, of course, you believe those at the bottom of the scale should not be getting any benefits out of the system; then I suppose you would tell us that we should not improve that, either.

We are improving the supports to employment program to help social assistance recipients keep part of their net earnings while on welfare to help them get back into the workplace, because we got a lot of complaints that you go out and work and then it does not pay you to go out and work. We think that is an important ingredient in that whole transition concept as well.

We increased the grants to municipalities, which had been frozen, as you may recall, in order that they can cope with some of their demands. We did not do the offloading that the federal Tories did. That would have been part of the solution of keeping the deficit down. We could have stuck it to the municipalities and to the school boards and to the hospitals, but you do not tell us to do that; you just tell us to keep the deficit down. It is time there was some honest debate around this deficit and this budget.

We are increasing the supply of affordable housing with an additional 10,000 rent-geared-to-income units. If you think those should not be there, say so, but I think they should be. I think it is an important part not just of economic development but of social development, and housing is one of the best economic stimulants there is, because when you build houses, you also need furniture, appliances and landscaping. It is a very good economic stimulant, a good multiplier, and we think that is an important statement to make.

We also decided not to put the provincial sales tax on top of the GST. That in itself saved almost \$470 million. If the Tories think we should be putting it on top of the GST, they should say so. Say if that is the way you think we should be reducing the deficit so at least we will know where you stand.

I wanted to get into some of the alternatives we had, because I think that is something people have not been

talking about very much. Just to put it in perspective, we ended last year with a \$3-billion deficit. I really have not heard anybody blame the government for that, not even the Tories. They are blaming us for the \$9.7 billion this year, but not the \$3 billion. I have not heard anybody do that. There may be some, but I think most fair-minded people understand that we inherited a government in the midst of a recession when the bottom was falling out of the Ontario economy and we certainly were not the cause of that.

But if you put into perspective what we could have done to satisfy the Tories on reducing the deficit back to the \$3 billion—not even back to zero; I have not heard you say that, but you certainly think we should have kept the deficit down to \$3 billion, I understand—there are some things we could have done.

We could have flat-lined the major transfer payments to our major transfer partners. I think people understand that means the municipalities, it means the school boards, it means the hospitals and it means the colleges and the universities. I remind you that enrolment is going up in our educational institutions, we have an aging population, so there is increased utilization of the health care system.

Talk to any municipal politician, talk to people at the local level and see what they think about having their property taxes go up. See what they think. Tell them that is what you want them to do. Tell them you want the provincial government to keep its deficit down, offload the costs on to the municipalities so the property tax will be higher. Be honest; say that to them. I have not heard you say that, but that is what is implied in what you are telling us.

1120

If we had done that, if we had flat-lined transfers to our partners out there, as we call them, enrolment in colleges and universities would have had to be cut, we think, by about 25,000 students. Almost 5,000 hospital beds would have had to be closed; 10% of the hospital beds in this province would have had to be closed in order to meet those numbers. We think that without any additional funds for municipalities and school boards, either property taxes would have had to be increased by 4.2% over 1990 levels or 6,000 classrooms would have had to be closed, and public health operations would have been slashed by 33%.

That is not all we could have done. We could have eliminated all new spending initiatives, undertaken no new spending initiatives by the government whatsoever. We could have discontinued the home care programs for seniors and the disabled. We could have discontinued entirely the legal aid program. We could have eliminated the winter maintenance program for provincial highways. We could have eliminated the technology fund, slashed welfare rates by 10%, dropped the Ontario drug benefit for both seniors and social assistance recipients. Those are some of the things that we could have done, and do you know what? Even if we had done those, we could not have kept the deficit at \$3 billion.

I am waiting to hear what we should have done. I want to hear this, how we could have got back to the \$3 billion. All I am hearing is that the deficit is too high. I agree the deficit is too high. Who wants a deficit of \$9.7 billion? But I think it was the responsible thing to do in the midst of the

worst recession since the Second World War, and I do not regret that.

Do I have a time limit, Mr Chair?

The Chair: About four more minutes.

Hon Mr Laughren: Oh, I did not know I had a time limit. I am sorry. But I can tell you that if we had made all those cuts, there would have been substantially higher unemployment in this province. Is that what you want? Do you want higher unemployment in this province? I have not heard anybody say that. So I think that the alternatives were not only unpalatable, they were simply unacceptable. We just simply could not do that, and we wanted to make sure that Ontario is ready for the recovery, and by investing in Ontario, we think it will be.

I hasten to add though that we are concerned about the deficit and we are going to tackle it. There are some things we have already done, such as the agreement with the Ontario Medical Association. We put in the budget a medium-term fiscal plan which has the deficit dropping to \$7.8 billion in three years. I know that is a high number and a lot of people are concerned that number is too high but we wanted to be very realistic in that number too. We did not want to put in a number that we could not achieve. We really wanted to be realistic about that.

We know that debt servicing is going to stabilize at a little over 12 cents on every dollar. I remind you that the federal level is 34 cents on every dollar and we are determined not to make the mistakes the federal government has made. We are determined not to get into that trap.

As I say, we have put in place for the first time in Ontario an agreement with the medical profession to contain the costs of health care—it is the first time that has happened—and we are reforming the drug plan. We are containing out-of-province health care costs as well. We have the Fair Tax Commission churning away. We are hoping it will help us develop a fair tax system in the province. We are putting in place a Treasury Board, which I believe is going to be debated this afternoon. I look forward to that debate in the Legislature, which is going to be completely preoccupied with expenditure management. There has not been in this province a process to look at entire allocations, entire ministries, entire programs. It has split between Treasury and Management Board, and we are really going to try and get a focus on expenditure management.

I wanted to end on—there is more I could say—a positive note because I think things are looking a little better. There are some numbers coming in that are encouraging. There was an increase in employment in Ontario in the last numbers, the house and car sales are up, interest rates have been dropping. All of that is very helpful, but we are not expecting the rebound from this recession will be as strong as it was in 1981-82. If you look at the unemployment numbers for the next three years, they stay very high. I think even by 1995 they are still over 7%, almost 8%, as I recall. That is a very high number. That is why we had to be very realistic about the medium-term fiscal plan, so really, I would also ask you to think about the future in Ontario and the kind of economy we want to have.

I think most of us understand that we must have a high value added economy here. If we cannot have in Ontario a high value added, high-quality, high-wage economy given its positioning with our expenditures on education and infrastructure, who can? We are extremely well positioned to play a leading role in high-quality jobs and high value added jobs in the 1990s. We cannot survive in a beggar-my-neighbour approach where we try to cope with the lowest possible wages anywhere in the world. That is ridiculous. We would not succeed if we tried. So let's make sure we have a plan to go the other way.

We want to work together with the organized labour movement in this province, with the business community in this province. I also recognize the fact that we have to work very hard with the business community to make a partnership work. I understand that, because there is scepticism that we have to overcome. We are prepared to work very hard at that; we are trying and we are determined to make it work.

I am hoping that people will see it is in all our best interests to work together, because we believe very strongly that is the route we must go. We have confidence in the future of this province. That is why we are investing in it as strongly as we are, and I look forward to the comments of the members of this committee. I wish you very well in your travels across the province. I think you will hear an interesting array of opinions on the budget and I almost—not quite—envy you your task. Thank you very much for this opportunity.

The Chair: We have approximately 30 minutes. The time will be divided equally, 10 minutes per party. We begin with the Progressive Conservative Party.

Mr Sterling: I would like to welcome you, Floyd, to the Mike Harris hearings here in the Legislature.

Hon Mr Laughren: Thanks, Norm. Where is Mike Harris, by the way?

Mr Sterling: He is at his son's graduation in North Bay.

Hon Mr Laughren: I noticed he was not here. I thought he would attend his own hearings.

Mr Sterling: He is in North Bay.

Hon Mr Laughren: I understand.

Mr Sterling: Thank you for your courtesy, and letting me have my say.

You blame a lot of other people for the problems that are found here: transfer payments, federal government. We have heard that time and time again. Do you take any responsibility at all for the lack of confidence the business community has shown in your budget and in Ontario over the two months since your budget?

Hon Mr Laughren: The business community I talk to has confidence in Ontario; the investors I talk to in Ontario and the United States have confidence in Ontario. I do not believe the business community has a lack of confidence in this province. They may not like some of the principles which this government stands for, but I think that when we sit down and talk to them, they at least understand where we are coming from. We are not trying to surprise them. We are determined to consult with them very widely.

I understand the fact that people in the business community do not like a high deficit, but at the same time, when I ask them if they believe we should be investing in the future of Ontario, they say yes. When I ask them if we should be closing hospital beds, they say no. When I ask them if we should be investing in our educational institutions, they say yes. They do not like the macro numbers, if you will, but they like the fact that we are maintaining a very high level of education and of capital expenditures in this province. I think you have to be careful in a blanket statement like, "They do not have confidence in the government." I do not think that is fair.

1130

Mr Sterling: In terms of talking to business people, chambers of commerce, boards of trade, which both Mr Turnbull and I had the opportunity to do on the Mike Harris task force, that certainly was a message we were getting. Can you tell me whether you have taken any major steps on your part to restrain government spending? What steps have you taken?

Hon Mr Laughren: Absolutely. I am pleased to. I perhaps should have expanded on it more in my opening statement. I think probably the best example, while some people may not like it, was the fact that we worked out an arrangement with the Ontario Medical Association. It was a major commitment on our part to contain the costs of health care, which have been escalating at a remarkable rate, the total health care costs I think about 12% a year and the drug part of it around 19% a year—remarkable increases. Someone will correct me if I am wrong, but those are average numbers, the way they have been increasing, and we are finally going to get a handle on that. This may sound almost glib, but I think if we are going to save medicare, we have to control the costs of medicare. I am not saying this because you are a Conservative, Mr Sterling, but the federal government is making it very difficult to contain the costs of health care with its refusal to allow its transfer payments to increase the way they should. So that is one thing, the agreement with the Ontario Medical Association.

We are taking a look at the containment of costs in the drug plan and the out-of-province costs as well, and I touched on those briefly.

The establishment of the Treasury Board: Basically, its sole purpose is to engage in multi-year planning and looking at entire programs for expenditure management, so I think that is a major commitment.

A fairminded person would do this, and having known you as long as I have, Mr Sterling, I know you will recognize the fact that you do not suddenly stand all social programs in a province the size of Ontario on their heads and make massive and wholesale cuts your first eight months in government, before you have had a chance to really establish priorities and look at entire programs and do them in a serious way, and consult not only with the people who are recipients of those programs but also with the people who deliver those programs. We are determined to do that.

Mr Sterling: Some would argue very strenuously that what you have done with the OMA is exactly the opposite;

that is, you have handed it over to an arbitrator to make a decision on a major part of our budget, I believe somewhere in the neighbourhood of \$4 billion or \$5 billion. Turning over to the arbitrator a decision to spend taxpayers' money, in our view, is a mistake.

I asked you before about the confidence of the business community in your government. Bill 70 was brought forward by the Minister of Labour. It has been gutted over the last two weeks because of the strenuous objections by business and the opposition. What are you going to do to gain their confidence? What are you going to do in the future to show that in fact you are sensitive to their needs and concerns at this time?

Hon Mr Laughren: I think that is a fair question. I would take issue with your use of the word "guttled." When we do sit down and talk to them about their concerns about a piece of legislation, that is not the law of the land but a bill that had been introduced. Surely to goodness, one of the purposes of first reading of a bill is to get it out there to allow people to look at it and think about it, so when we sat down and talked to people in the business community and they expressed concern about the liability issue, we listened and we made changes.

You can call that gutting the bill if you like, if you want to be pejorative about it, but it seems to me it was part of sitting down with the business community, taking its concerns seriously and being prepared to compromise the original position in the bill, and I think, quite frankly, we have a better bill now. You can call it gutting the bill if you like; I prefer to see it as that is how we want to deal with the business community and others out there.

I cannot make any announcements today because there are too many t's to cross and i's to dot yet, but when we heard the concerns of the business community and others about the gas guzzler tax, we brought them in, we sat down, we talked to them and we are working very hard to come up with the fine-tuning of that.

So I hope those are important signals we are sending out, because we are serious about it. These are not some kind of optics in which we are engaged. If it were, we would not be making the changes. We would sit down and talk to them and say, "We listened to you; we are not going to make the changes." That is not the case. Now I am not saying that every time we sit down with organized labour or the business community or anybody else we will be able to make changes. I am not pretending that, but when we can and when there is a better idea, we will take it. I think those are very strong signals we have sent out and I think the business community will recognize that and appreciate it.

Mr Sterling: I am going to turn it over to Mr Turnbull in a minute, but quite frankly I think the business community did not think the Minister of Labour or the government thought through Bill 70 very carefully before it was introduced. That is its concern and its lack of confidence in your ability to govern.

Mr Turnbull: Treasurer, you are going to double the debt in the next four years. You are going to double the amount of debt we have built up since Confederation to something around \$70 billion. According to your budget

documents you are suggesting we are going to start coming out of the recession towards the end of this year. Much as I dislike Keynesian economics—but you seem to espouse them—you are not following even John Maynard Keynes' theory that you pay back as times get better. Are you going to whine through the next four years that times are bad and consequently you are going to dump all this debt on the backs of our children?

By the time you leave office, you are going to have \$8,000 debt for every child born in this province. When they are born, they owe \$8,000. You are very keen on dumping on the federal government, and I might do some of that myself, but I have to tell you that we should not be repeating in this province the mistakes that have been made elsewhere. We should learn from that.

Hon Mr Laughren: I happen to agree with you completely.

Mr Turnbull: But you are doing it.

Hon Mr Laughren: I do agree with you. We should not be duplicating the mistake the federal government has made. If you look at those numbers carefully, you will notice that in the budget we are separating capital from operating, not to disguise the consolidated deficit by any stretch of the imagination. People are not stupid, they would see through that, but—

Mr Turnbull: Are you suggesting there was not a capital component before?

The Chair: Mr Turnbull, your time is up.

Hon Mr Laughren: Let me finish. You talked about the increase in the debt in the next four years, and you are quite right; there is a substantial increase in the debt for the next four years. You can see that in the numbers. But if you break down those numbers into capital and operating, you will see that by the end of the three-year, medium-term forecast, which is 1994-95, the operating part of the deficit—if you take away the capital component of it, which everybody agrees needs to be there—

Mr Turnbull: But it is still a debt.

The Chair: Mr Turnbull, please.

Hon Mr Laughren: It is still a debt, but everybody agrees we should be putting that money into capital.

Mr Turnbull: But we have always put it into capital.

Hon Mr Laughren: But we have not always had the kind of times we are having now either. I want to hear from you what your options are, and I hope that as this committee travels the province, you will put out your options for getting the deficit down.

Mr Turnbull: We have, and you have not been listening.

Hon Mr Laughren: Oh, I have heard. Do you know what I have heard you say? I have heard you say, "Reduce the wages in the public sector."

Mr Turnbull: We said, "Cap the increases," instead of giving \$11,000 to senior civil servants.

The Chair: Excuse me, Mr Turnbull, we have two other questioners.

Hon Mr Laughren: Let me give you an example of those numbers. Let me tell you something: Even if we

ent stronger than you are suggesting, if we put a freeze on every civil servant in Ontario, a complete freeze this year, do you know how much we would save?

Mr Turnbull: You would save \$750 million if you put it to 2%.

Hon Mr Laughren: Let me finish my sentence. If we had put a cap on every directly employed civil servant, we could have saved, I believe, about \$250 million. If we had frozen the salary of everybody who is vaguely connected to the public sector in the province, all of those people out there in the hospitals and schools and everywhere else—if we had frozen them, not even the 2% that you have said—we would have saved \$1 billion. So now you are down to \$3.7 billion.

Mr Turnbull: It is pretty significant.

Hon Mr Laughren: It is a significant number. Is it fair? Is it a fair start, Mr Turnbull?

Mr Turnbull: It is a fair start.

Hon Mr Laughren: Oh, I see. Okay.

The Chair: Excuse me. It is now time for the Liberal party.

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Mr Phillips: I appreciate the Treasurer being here. I think this is the fourth time he has been here and that has been exemplary on his part.

The most interesting table in the budget to me was on page 55, and that outlines your thinking over the next four or five years. You have often said that in tough times you have to spend money, but then there are good times coming, the 3% or 4% in real economic growth and we are still seeing deficits in the \$7-billion to \$8-billion range. I think you have answered this before, but that presupposes, even to get to the \$7.8 billion, about \$5 billion in new taxes. Then for the following three years I do not think you get below about a \$7-billion deficit, even in 1997-98.

I think this is what people are looking at as a signal from the government, that good times or bad times, we are looking at major deficits in the province. If my numbers are right, the debt will go from maybe \$40 billion when you came in to about \$100 billion in 1997-98. I think that's the number. Is that kind of a philosophy you will pursue, that there is not going to be a balanced budget?

I remember your remarks to this committee here about not hiding capital, because I know you say you will balance the operating 1997-98 but, as you said, "I think it would be so transparent to try." This is talking about not putting capital in.

So what I am saying is that I think the business community—and I do not just mean the business community—but I think the community out there could accept that in bad times you spend but in good times we can see some light at the end of the tunnel. But I do not see where our deficit ever gets below \$7 billion, even in good times seven years from now with all the restraint programs. I think that is what is worrying people.

Have I accurately reflected how you view the budgets, and is that what we should look forward to realistically?

Hon Mr Laughren: I would put things a little differently than you put them, Mr Phillips. Also, we did mention in the budget, I think, that by 1997 the amount of deficit would be reflected by capital spending. In other words, the operating would be in effect in balance. That is a funny way of putting it.

Mr Phillips: Right, and I assume there will be \$7 billion of capital spent by that year.

Hon Mr Laughren: I thought it would be less than that; I thought it was around \$6 billion.

Mr Phillips: Okay.

Hon Mr Laughren: I think it is a little unfair to say we are not working at the—you did not quite say that, but about in good times getting the deficit down. You will notice in the table on page 55 to which you refer that the deficit does indeed decline every year and it will continue to decline.

Mr Phillips: But that assumes new taxes.

Hon Mr Laughren: It assumes new taxes and growth in the economy, absolutely. When you are working that far ahead, you do not know what that mix will be, but you are quite right, of course it does. I feel confident that as long as we stick to our guns on reducing that deficit every year people will understand that we are not spendthrifts, that we are determined to get the deficit down.

It is like a mortgage on your house. I do not want to be overly simplistic about it, but I think most people understand they cannot go out and pay cash for their house and they need to have a mortgage, and often a very substantial mortgage, but as long as their credit cards are not running way over all the time—and if they are high, then they start working those credit card balances down.

I feel very strongly about that. We have to do that, because I happen to believe, and I suspect you would agree with this, that our credibility is going to rest on how well we are able to manage the economy and get those deficits down. I have no doubt about that whatsoever, so my determination is fierce in that regard, and so is the Premier's, I can tell you. If you ever go to the speeches he or I make largely to the business or financial community, you will see reflected in our comments in every single case that we are determined to do that.

Mr Phillips: Just a difference of opinion: On the OMA agreement, I know this is sort of the centrepiece of your cost-saving—

Hon Mr Laughren: So far.

Mr Phillips: —but first, the OMA has a fundamental disagreement with your numbers. You say 5%; they say 1%. They say unfettered, binding arbitration. I believe you have turned over 10% of your budget to an unfettered, independent arbitrator, so have you resolved the difference of opinion between yourselves on this?

Hon Mr Laughren: Wait a minute. Let's be fair about this. The payments to physicians are 10% of the provincial budget right now, not of the health care budget.

Mr Phillips: It is \$5 billion.

Hon Mr Laughren: Yes, roughly about that. I am using fairly round numbers, but that is right. The health care budget

is almost \$17 billion this year, I think, so it is almost a third of that. I think that for the very first time in the history of this province we are putting a cap on expenditures. I am being fair about this. We are going to get some heat on this; I have already had some letters saying "You shouldn't be cutting back on this out-of-province cost."

Mr Phillips: On which expenditures?

Hon Mr Laughren: Health care. That is part of the agreement with the OMA. We are going to work with them, in the sense of partnership, but we want to contain and control the number, distribution and remuneration of doctors. Let's be fair about this. For the first time, in a spirit of partnership with the doctors and with the medical association we want to get a handle on it. They agree with this and I give them full marks. As you may recall, it was not an agreement that was unanimously approved by the membership of the OMA, so there are people who think it was too tight, but we think it is the beginning. I am sure there will be fine-tuning required as we go down the road with the medical profession, but we had to start somewhere.

Mr Phillips: Do you agree that it is unfettered, binding arbitration?

Hon Mr Laughren: That is not what they tell me. I did not do the negotiations with them and I do not pretend to be an expert on that part of it, but I am told they must consider the economic conditions of the province or all the details on that. It was my sense that it was not unfettered.

Mr Kwinter: I would like to talk to you about the process. A couple of comments made by the Premier, by the Minister of Industry, Trade and Technology and by you really got me a little disturbed. I am not talking specifically about the gas guzzling tax, but that is a good example. The feeling was that we could not really talk to them about it beforehand because of budget secrecy. I think that is sort of an absurd statement. It seems to me that a responsible Treasurer and a responsible government would try to anticipate the impact any of their measures was going to have on any sector of the economy and would meet with those people and certainly canvass the options.

I agree that the final and ultimate decision is yours and that it should be made in secret, but there is nothing to prevent anybody from discussing what some of the options are to get their input as to what would happen if proposals A or B were advanced. Do you have any comments on that?

Hon Mr Laughren: Yes, and I happen to agree with you that the process is absurd. I find it bizarre too. I do not mind confessing that to you. There is even a comment in the budget about trying to change the process. I have asked this committee. As a matter of fact, I wrote to the committee and asked it to think about ways of changing it. You might argue that I could have done this without writing to the committee and without asking for input from this committee on how to do it. Technically you are right; we could have done that.

There is not a history of that and I am not blaming previous governments. When finance ministers or treasurers consult, if they are too specific they get in deep trouble. There has been evidence of that at the federal level when they did get too specific in talking about a tax measure or

whatever. Naturally finance ministers and treasurers are very jumpy in talking about tax measures and I understand that, but I do not disagree with you that there is a better way to do it and that is why it is in the budget itself that we want to make the process more open.

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I was in New York talking to the people who sell and buy our bonds, and so forth. I then went to Washington to talk about budgeting process down there. I wish we had more time because this very idea of how to make it more open and more consultative before the fact as opposed to after the fact—I do not disagree with the thrust of Mr Kwinter's remarks. They have it much more open there apparently. I am still not an expert on their system, but they were saying, "For heaven's sake, don't do what we do."

They get brokered to death and have difficulty accomplishing what they set out to do with a tax measure for example. It has reached the point now, they tell me—they had a copy of the President's initial budget, which is this thick and which they say has no relevance to reality or to where they know they are going to end up. I hope there is room for us somewhere between this cloak of secrecy we have and a process that is so open it does not go anywhere. I really hope this committee will be of assistance because we are quite serious about that. I do not like the system either.

Mr Christopherson: I think it is good that we as the government representatives are the last to ask questions and make comments, because that will underscore the point that so far nobody has offered up anything that talks about alternatives and choices. That is the whole idea of a party system and of what these hearings ought to be, to offer up to the people not just the bashing of the deficit but talk about what was done that generated the deficit and what the implications are. Rightly so, but there is an obligation on the part of the opposition parties to say what they would do differently and be specific and then we can all talk about the implications of those.

That will mean we have an opportunity in this province to have what we have not had yet, a fair and open democratic debate on what should be happening with the budget for the province of Ontario for the coming year. Mr Chairman, I would hope that the opposition parties will take seriously what we see as that part of their obligation, to provide specifically what they would do differently and, in terms of expenditures, what they think should be taken out. Then we can talk about the implications of that and say why we believe the right steps were taken.

That leads me to the question, and I think it is something that is not talked about enough—

Mr Turnbull: On a point of order, Mr Chairman: I think we have to correct the record, in the sense that in the pre-budget consultations with this committee there were specific recommendations made by the Conservative Party and they have been ignored.

The Chair: Sorry, it is not a point of order.

Mr Turnbull: It may not be a point of order, but it is true.

The Chair: Excuse me, Mr Turnbull; you have had ample time.

Mr Turnbull: No, I did not have ample time.

The Chair: Continue.

Mr Christopherson: Thank you, Mr Chair. I would like to ask the Treasurer a question regarding the operating budget that will be reduced in coming years and balanced in the years the budget projects. I would like to ask it in concert with what he believes the budget is doing that will lay the groundwork both for the recovery of the economy from the recession, and also how that ties in to the ability to reduce and eventually balance the operating budget.

Hon Mr Laughren: Mr Christopherson is quite correct in that we are serious about that. To me, the investment that is in the budget in capital and in education, if I had to pick two areas, because everybody tells us—I was reading about an economist in the United States who was saying you could take and duplicate every manufacturing process there is anywhere in the world except for one component, namely, the quality of labour engaged in it. That you could not duplicate, but you could duplicate all of the process. Therein lie our opportunities, in making sure we invest in our infrastructure. By that I mean not just education and training, but also our roads and our sewer and water systems. I think that is terribly important.

We talk about training in the budget as well. We think that training is not well done in this country as a whole. I am not pointing fingers in this regard. I do not think that collectively, as governments and the private sector, we ever have a handle on training. We are going to try. When we talk about partnerships we often bring in training as an example, where we need the federal government—and I think we will get co-operation there—and the private sector—and I think we will get co-operation there—organized labour and ourselves as a provincial government.

Those are the kinds of things we think we need to invest in that will have us well placed as the recovery occurs. We cannot despair about this recession. We have to be optimistic and invest in the province and encourage others to do the same. That is why I think we are one of the most attractive places in the world. There have been two studies done recently that indicate Ontario is either number two or number three. There were two different studies done as a quality-of-life place. We are right up there and I think we have to maintain that.

I do not want to make an anti-American speech by any stretch of the imagination, but when I go south of the border and see the problems in their cities—in New York City they have a population of almost 10 million, almost the population of Ontario. They were talking about spending \$300 million a year on capital in a city that size. How can you maintain your infrastructure? They cannot have a deficit in New York City and neither can the state. They are not allowed to by law. That has caused them a lot of anguish. I have started a rambling answer.

Mr Jamison: I have a question that really concerns the cost of carrying the debt. I know some people here today have made references to the cost of carrying the debt, for example, compared to the federal debt. I wonder

if beyond that you could explain the current federal cutbacks that have impacted your ability to lessen the deficit. What kinds of makeup and history, etc, are there?

Hon Mr Laughren: In my head I just sort of use 10% as an easy number when I am thinking about the cost of carrying the debt. The cost of a \$9.7-billion deficit is about \$1 billion, in very round numbers, I hasten to add. That is sort of the ballpark figure I think in when I am thinking about the deficit.

You asked about our problems with the federal government. I know they have problems too with their debt and their deficit, very serious problems. Their cost of carrying their debt is 34 cents of every revenue dollar. That is unacceptably high. Ours is 11.6 cents, getting up to 12.3 cents I think, so that is a big difference, but I hasten to add that we do not want to get there.

I understand the federal government's concern, but I have never understood how transferring the public debt from one jurisdiction to another solves the problem for Canada. I think fair-minded people would admit that when they offload on us, that is what they are doing. If they were to continue with their transfers, their debt would be higher and ours would be lower. There is nothing magical about that. They have really hurt us. If you go back to the 1980s to the base of transfer payments, if you ever added them up cumulatively the impact of the restrictions on transfer payments to the province—I think they are around \$7 billion, \$8 billion, \$9 billion. They are extremely high. Even this year it is about \$1.5 billion. That has really hurt us, and I do not see it getting any better. I wish it would. I would like to be more optimistic in that regard, but I have no reason to believe they are going to make improvements in that regard.

They have just announced, by the way—I was not very happy—they are going to have consultation on the whole issue of transfer payments. It is going to be part of this constitutional review group for the fall and they are going to put transfer payments into that mix. At the same time, they extend the freeze on the transfer payments to us. It is a weird kind of way to say they are going to have us open to some of the process, all within the framework of a freeze. To me, that is not—

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Mr Sterling: How many tax points did we steal over—

Interjection: It is our time, Norm.

Mr B. Ward: A quick question on the issue of taxation. There was a decision made by yourself, after consultation, that corporate income taxes would not be increased. Perhaps you could expand on the rationale, because that was one avenue where perhaps the deficit could have been reduced by increasing revenue.

Hon Mr Laughren: Mr Ward, you raise a good point. We did not touch broadly the provincial income tax. We increased the surcharge at the top and we increased the tax credit at the bottom for low-income earners, but we did not increase the rate, the 53% rate on federal tax payable. We did not touch that. We did not increase the corporate income tax, that base, although we did increase the capital tax, from 0.8% to 1%, as I recall.

Interjection.

Hon Mr Laughren: For banks, right.

What we thought was that it is a serious recession and to increase those taxes at this time would not have been appropriate; it is as simple as that. The combination of not increasing that tax, not imposing Ontario's retail sales tax on top of the GST, for those reasons we did not want to do it but to leave that money out there in the economy. And of course the corporate tax, I think it really would have been outrageous, quite frankly, to have increased the corporation tax in a year when corporate profits tax coming to us was down by over \$1 billion. That is a huge drop, so to have increased the rate of corporate income tax I think really would have been completely inappropriate. Those are the reasons we did what we did. I suppose you could argue that we could have reduced the deficit if we had increased those taxes, and I think that is true, but it would have been, I think, the wrong thing to do right in the middle of the recession.

The Chair: Mr Hansen, you have the last question.

Mr Hansen: It is more of a statement, maybe. The Mike Harris task force has I think misled a lot of people with fax machines. It is not the ordinary person out there who has a fax machine, and I think with this committee travelling around the province we will get the true feeling out there. At least in my riding, the municipality of Pelham was very pleased to have a balanced budget this year.

But people out there are saying: "I pay provincial and I pay federal tax. Why are the feds stopping that money coming down to educate my children?" And parents want cash for new Niagara schools. What do I tell these people? Do I say that the feds are not giving us any money, that we have to go deeper into debt? We are the closest partners to the municipalities, but our partner in Ottawa has to also be a partner with the municipalities and the province.

I am glad Mr Harris saw to it that we get around the province to explain exactly what is going on and why their dollars from the federal government are not flowing down to the municipal level. I have not heard what I have heard here at Queen's Park. It is different out on the road, and I think they are going to be very surprised when we come back with a report.

Another thing I would like to say too is that in our pre-budget consultation, in the end, when I read through that book in a lot of areas, we have covered those particular areas. So it is an open process and we have listened.

Hon Mr Laughren: Could I make one comment, because Mr Hansen has raised a point I did not dwell on in my comments. We use words like "federal transfer payments," and I am not too sure people relate to those kind of words very much. Where they have held back from transferring what we think we have a right to are what they call the established programs financing, which helps pay for health care and post-secondary education, and on the Canada assistance plan, which helps us pay for welfare costs, social assistance costs. Those are the areas where we have been hit hardest by the failure of the federal government to live up to its obligations. So it is not just something called transfer payments, it is post-secondary education, it is health care and it is social assistance. Thank you for raising that.

Thank you, Mr Chairman, for this opportunity.

The Chair: Thank you, Treasurer, for coming and giving us this overview of the budget. We appreciate the time you spend with us.

Mr Sterling: Mr Chair, just on a point of procedure: Before the Treasurer goes, are we going to have an opportunity to question him during the hearings? Are you going to be available?

Hon Mr Laughren: Never again.

Mr Sterling: He says, "Never again." I can understand his reluctance, but—

Hon Mr Laughren: No, no, I am only kidding.

The Chair: These issues will be decided by the sub-committee if we should invite him back again. There are other expert witnesses and the procedure has been outlined by discussion from the party whips.

Mr Sterling: He says he is not opposed to that. That is fine.

The Chair: Hearing the bells, I think this meeting is adjourned until 3:30.

The committee recessed at 1206.

AFTERNOON SITTING

The committee resumed at 1556.

MINISTRY OF TREASURY AND ECONOMICS

The Chair: Mr Davies, deputy minister, welcome to the standing committee on finance and economic affairs.

Mr Davies: Thank you very much, Mr Chairman. We are at the pleasure of the committee as to how you would like us to proceed. We have prepared a package of 13 slides that are intended to provide highlights from the budget.

I was going to propose that I have several of my associates from the Ministry of Treasury and Economics go over the individual sections of the slide material. It really breaks into four sections, and this parallels the construction of the budget itself. The first pages are on the economic outlook, then the fiscal outlook, then the tax initiatives incorporated in the budget and the financing of the deficit part of the budget. We are prepared to go through that either with interjections or without; we look to your guidance on how to proceed.

Mr Sterling: I would rather go section by section.

The Chair: That is probably a fair way of doing it. Since we are all going to be here a little while this afternoon, I think everybody will have a fair opportunity to ask the questions they feel are important, so why do we not do that way?

Mr Davies: That is fine. I would suggest then that we begin with the Ontario economic outlook section, and I would ask Qaid Silk, who is the director of the economic forecasting branch to walk you through the three pages. Then, as I understand it, we pause and pursue questions on that, if desired, or continue on.

Mr Silk: Thank you, Bryan. I am going to take you through the first three slides. This talks about the short-term economic forecast that was presented in the budget, and then the medium-term forecast.

The first slide, basically, is the 1990-91 forecast. As you can see, at the time of the budget, we said we would have a decline in real output of 3.3% for the calendar year as a whole. We would lose about 184,000 jobs. The unemployment rate would average 10% and inflation would average 5.6%.

We have also given you the range of other people's forecasts at the time the budget was presented. You can see that, by and large, for real growth and employment loss, for example, we were at the high end of that range. We were slightly more pessimistic than most. Similarly for the unemployment rate. For inflation we were at the mid-point.

Essentially, our forecast was that we were in the middle of a recession. Hopefully, the economy would recover by the third quarter of 1991. We would get some modest job gains in the second half of the year. The unemployment rate, none the less, would remain high throughout the year, despite the fact that there was job growth. The inflation rate would average 5.6%, but a significant portion of that increase—1.5 percentage points to be precise—would be because of the GST being introduced on 1 January. That was our budget forecast.

The next slide talks about developments since then. What we have seen are quite early signs of recovery. We have had employment hit bottom in February, and since then we have had three consecutive months of job creation—34,000 jobs being created in the province as a whole, in all sectors, since February. We have had, of course, reasonable strength in home sales, both resale and new homes. We have interest rates continuing to fall in the last two months, a decline that started about the fall of last year and has just continued. We have had auto sales picking up. Manufacturing shipments were up in May; the numbers just came out this week, and they were up 2.2%, the highest in the past two years and, of course, industrial production in the US, a major market for us, was also up in May. So things appear to be looking up. Consequently, our view is that, yes, we had anticipated the recovery beginning in the second half of 1991, and we think our budget forecast is still on track. That is a view consistent with most other forecasters, who expected the recovery to begin about the same time.

Given the turnaround in employment, we think it is possible that our job-loss figure of 184,000 for the year as a whole may be an overestimate. We may get less job loss than that and, similarly, our inflation of 5.6% may be slightly higher, given what we have actually seen in the first five months of the year. But at this point we do not think we need to shade it yet.

Essentially, the third slide looks at growth in the medium term, and what we have in different boxes is the picture for 1990-94. In the first box we have the real growth. As you know, we had a recession, a 1991 decline, and over the next three years we have seen steady growth over the medium term. On the job front, we are expecting average annual creation of more than 100,000 jobs over those three years, and the unemployment rate to come steadily down but unfortunately remain high even at the end of this horizon, at 7.8%. As for inflation, there is the 1991 spike—due to GST—of 1.5%, but once that GST has been absorbed, we expect the inflation rate to remain below 4% throughout the next three years.

That is our budget forecast review of how we think it has shaped up in the medium term.

Mr Christopherson: Qaid chose 1994 as the low point in the first half of the decade. Why is that?

Mr Silk: After a recession a recovery normally tends to have momentum, so an economy tends to pick up some speed. Now, we do not think it will be as buoyant as coming out of the 1981-82 recession, so that even in 1992 and 1993 we do not think we will get the 5%, 6% growth rates that we saw in the early 1980s; but normally that is what happens: An economy, having plunged, tends to pick up speed coming out and then gets back to what you might think of as a normal trend growth rate of 3% to 3.5%. So it is going towards this trend.

Mr Christopherson: Is that then a levelling off point in 1994 or, if you were going to later years, would you continue to see a decline? I know that as you get into later

years it is very hard to predict with any kind of accuracy, and I respect that. I would just appreciate your best shot or even an explanation of what the usual kind of contemporary thinking is on that question.

Mr Silk: Without some policy changes, we would expect that the potential of the Ontario economy to grow is around 3% to 3.5%. Essentially, after a strong recovery phase, the long-term expansion might be around that rate. Now, it is possible through significant policy initiatives to alter that for the better, but that would be roughly the tendency, to go back towards that rate.

Mr Sterling: I was wondering, in terms of the employment picture looking a little bit better now, and the 34,000 rise in Ontario employment since February, are we gaining or losing in the manufacturing area? Do you have that broken down at all?

Mr Davies: Maybe I could introduce John Hoicka of our office on economic policy. John is one of our experts in this area.

Mr Hoicka: February was the low point for manufacturing. If I remember correctly, it was 851,000 or 853,000 employed. As of the most recent numbers, May, that had jumped up to 899,000.

Mr Sterling: So it has gone up?

Mr Hoicka: It has gone up, but that 853,000 was the lowest point in the decade. In comparison it was about 870,000 at the low point in the 1981-82 recession.

Mr Sterling: Quite a dip.

Mr Hoicka: It was quite a dip, so it is hard to interpret how big that recovery is at this point.

Mr Sterling: In terms of what forecasters and economists do, I think everyone would agree with one part which the Treasurer talked about: that we want high value added jobs in our country. That is the only way you eventually get to a higher standard of living. Of course, that is why I am very much a proponent of free trade and a world economy. I believe that is the way you get to the high value added jobs, by being competitive; you have to earn them.

Do you keep any kind of overall income statistics that will indicate when these jobs are coming back and whether they are high- or low-value jobs?

Mr Hoicka: We would not have any reasonable data on such a short-term basis. There is information on average hours worked and pay per hour, but we would not follow them on a month-by-month basis simply because, as you get into the two-digit industry figures, subcategories become quite variable, and it is quite easy to misunderstand or falsely think something is happening when it is not happening. Over the past decade there has not been essentially any increase in manufacturing wages as an average. Obviously that would vary somewhat in real terms, and it would vary by industry. It is something we will be starting to look at, I think, when we have another couple of months of data and we are quite certain there is an up trend. Then we will start to look at which industries are coming back. But at this moment, even those numbers would be quite variable.

Mr Sterling: Is there any way to collect that kind of information and plot it? I think it is extremely important for us to really understand whether or not we are improving our economy.

Mr Hoicka: The data are certainly available for manufacturing as a whole. The extent to which they are available for the subindustries I have to recheck. I think they are there. I think there is a delay. It is not a problem of getting the data; the problem is that it bounces around, and it is hard to determine whether that is a random bounce or whether it is part of a trend. That is certainly available, with some degree of lag. It may be available, for example, to March. I doubt that it would be available after March.

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Mr Sterling: I was interested more in the long term, in looking back two or three years from now and saying, have we really created jobs that have value added or not, or are we continuing on the same plateau as before in relative importance of those jobs?

Mr Silk: As John pointed out, the budget talks about real wages and total manufacturing. The data are produced by Statistics Canada, and we can definitely produce them right now for you. As you point out, we will definitely monitor this over the next few years to see where those jobs are and what kind of incomes are being generated by those jobs, and yes, we will get a picture over time.

The Chair: If you can collect that information, could you pass it along to the committee?

Mr Silk: Of course.

The Chair: Thank you. Mr Kwinter.

Mr Kwinter: Mr Chairman, I apologize for being late. Could you tell me, are you covering page 3 as well?

The Chair: Yes.

Mr Kwinter: I guess I will address this to the deputy. I am curious as to the methodology of your projections of real growth. For 1991 you show negative growth, minus 3.3%, and you are projecting that in 1992 there will be real growth of 3.4%. Does that mean the economy is going to grow by 6.7% this year?

Mr Silk: In 1992?

Mr Kwinter: In 1992.

Mr Silk: No. What we are saying is that after having dropped 3.3% in 1991, the next year will see 3.4% growth.

Mr Kwinter: It will be like 0.1% over this year?

Mr Silk: Over that two-year period we will have made up most of the ground we lost, yes—all the ground we lost.

Mr Kwinter: I think that is fairly significant, because when people talk about the growth of the economy—and I said this in a speech last week—we were lucky to be in power at a time when the economy was in real growth showing growth as high as 4% and 5%. I think this is one of the big problems we have when we talk about recovery. We are going through a very severe economic downturn and we have been for the last year and a half. The projection of 3.4% gives the impression that there is going to be incredible growth, it is going to be booming. What in fact

you are saying is that after this terrible time that we have just gone through, in 1992 we can expect the economy to grow by 0.1%. If you are wrong, it could be no growth at all, when you are using that narrow a margin.

Mr Silk: If I may explain it perhaps in a different way: In 1990 we started at a certain level; in 1991 we fell a certain amount; by 1992 we have come back to where we were in 1990. Okay? It is like a saucer. Over that two-year period we lost some ground, and we think we will make it up.

That is quite dramatic when you look at employment, for example. We think we will lose 184,000 jobs in 1991. As I was explaining earlier, it is possible that we will lose less, because the recent data suggest slightly more momentum and more growth than we had thought.

In any case, suppose we lose about 180,000 jobs in 1991. Unfortunately, in 1992 the economy will not create 180,000 jobs; it will create well below that, so by 1992 the level will be below the level of 1990. Having lost ground there, unfortunately, we will not make it up. On the output side, we think we will have just barely made it up. You are right, we could be wrong. Our estimates could be out, our forecasts could be out, and we may not make it up. There is a margin of error. It is a deep recession and it takes some time to recover that ground.

Mr Davies: I would just reinforce one of the lines that Qaid used, because I always find that graphically it makes it come home to me. It is a saucer-shaped graph when you plot the gross domestic product on the one axis and the time horizontally. You start up here, you go down and then you start coming back.

Mr Kwinter: As I say, I am not being critical. I am just pointing out that for someone who is not used to looking at these graphs, this could give a distorted picture, because it could look as if the economy is going to grow by 6.7%, taken from a low of 3.3% to a high of 3.4% in one year. What I am saying is, if you had shown it in that saucer-shaped graph, it would give a more accurate picture of what was really happening. That is the only point I was making.

The Chair: One of the indicators is durable goods and machine tools. I am just curious if we have any information on how well we are doing with that indicator in the economy.

Mr Davies: Just give us a second, we might have some data with us.

Mr Silk: We do not have data for Ontario for the first quarter of 1991, but we know that for Canada as a whole, consumer durable spending, spending on automobiles, appliances and so on, fell 27% at annual rates. Basically, as the Treasurer pointed out in his remarks, in the first quarter we continue to see the Canadian economy decline at 4.6% at annual rates. A lot of the weakness was because consumer spending on durables was very weak. It dropped dramatically.

On machinery and equipment, which is the other thing you were mentioning, at least for Canada, spending rose in the first quarter by 4.7% at annual rates. There is some strength there, modest but none the less some growth.

We do not have Ontario numbers. We will not have them for another two or three weeks.

Mr Phillips: Earlier this morning with the Treasurer I indicated that what concerns me most is what you call the medium-term fiscal plan. I think the world understands deficits—

Interjection.

Mr Phillips: I am sorry, I thought you were dealing with Ontario's economic outlook.

The Chair: We are up to page 3.

Mr Phillips: Okay, sorry. I thought you were dealing with the whole section.

Can I go back on employment just for moment? It is a neat way of saying employment is up, but I think unemployment is up more than employment. Ontario has dropped from number one ranking in the nation in unemployment a year ago; now I think we are number five. We are behind all the western provinces. In the unemployment rate, we used to be the best and now we are fifth in a period of 12 months. I think unemployment has gone up again. There were 497,000 people unemployed in April; there are 509,000 unemployed in May in Ontario.

Galbraith and the government feel this is the right budget. How come the other provinces seem to be doing better on employment than we are? Why are we slipping?

Mr Davies: I will start off on that and then let those more familiar with—

Mr Sterling: I can answer that. Maybe I will have a crack at answering that.

Mr Phillips: I want to hear the experts, though.

Mr Davies: I have never encountered so many people eager to answer questions.

Mr Sterling: I would like to answer a Liberal.

Mr Phillips: Maybe I can answer my own question. I think I have the answer right here.

Mr Davies: Not to overstate the obvious, with the nature of the Ontario economy, with our high propensity for manufacturing and our dependence on markets, particularly the United States, we have much more vulnerability to downturns in that economy, just from the structure of our economy.

I will let Qaid elaborate and correct me if I am wrong and add other points.

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Mr Silk: Exactly. We are a very interest-rate-sensitive economy and a very export-oriented economy, so when our major market, the United States, takes a downturn, we just go along; we are interest-rate-sensitive, so housing is extremely adversely affected, and the exchange rate as well.

All those three things affect us much more than the prairie provinces, which have lower unemployment rates. That does not mean they do not go through business cycles. They go through cycles too, but their cycles are generated differently. Theirs is very resource-based, so when resource markets take a downturn, that is when they are affected.

Sometimes in fact it happens the other way. When resource markets are doing badly, when prices are down, for example, for oil, it is actually good for us but it is bad for the resource-rich economies. We are not necessarily all synchronized in that sense throughout the country.

Mr Kwinter: I do not know which one is the expert on monetary and fiscal policy, but whoever it is, if he could respond.

One of the common givens is that the reason our dollar is so high is that our interest rates are high and the government is artificially keeping the interest rates high to dampen inflation, yet in the last month or so we have seen interest rates drop dramatically, and the dollar still stays high. If anything, it reached new highs. Can anyone explain why that is?

Mr Davies: I am going to let Qaid take a run at that.

Mr Silk: I wish I knew the full answer myself. It is a mystery, because we know, for example, if you go back through history the United States through the mid-1980s had an enormous current account deficit, and yet its dollar kept growing in strength. Then at some point the dollar just could not stay that high and it fell. It fell quite sharply. In a sense, if you look at the factors that affect our dollar, you are right: It should be the interest rate spread between our Canadian interest rates and American interest rates, it should be the performance of our trade balances, and all those do not appear to be good enough or strong enough to keep the dollar high.

One explanation is that for quite some time, basically both Canadians and people abroad have believed that Mr Crow is not only serious about his inflation targets but is likely to achieve them over the medium term. Our forecast actually suggests that we do not think he will get there, but none the less inflation will be low. In any case, a lot of people believe he is an inflation fighter, an anti-inflation man. Low-inflation countries tend to be strong currency countries.

At this point, to some extent it is the anticipation that inflation will come down. In some observers' minds that means we continue to have this high dollar, despite the fact that our interest rates are falling. The spread has fallen quite dramatically from 500 basis points to something under 300 basis points now. It has fallen, yes, and it is a bit of a mystery to us.

There are two camps. Some people believe the hard currency story and think the exchange rate will remain high; but there are enough other people, including ourselves, who think the dollar will fall. We think at present it will fall to 84 cents by the end of the year because you cannot keep it up without the support of the interest rate spread. We could be wrong. We most likely will be wrong, but there are enough other people who believe that, yes, the dollar is too high and it should come down. Once you let that interest rate spread narrow, there is no support for it, there is nothing holding it up.

Mr Davies: I would just add that it is counter-intuitive that the dollar is staying where it is with interest rates coming down. The only other observation in addition to those Qaid has made is that monetary conditions around the world are relative to one another, and traders looking at our dollar and at other dollars weigh our strength relative to others, and for one reason or another, it is holding up there.

Mr Kwinter: As impartial observers, would you confirm or deny that the only control the government has is on

interest rates, that Crow can arbitrarily say, "This is what the interest rate is going to be," because he can set the bank rate; but the value of the dollar is a function of that plus other things that are really beyond the government's control? They cannot arbitrarily set the value of the dollar. The market sets the value of the dollar. I just want a comment on that.

Mr Davies: Certainly there is a series of factors that influence people's confidence in a currency, interest rates being one factor; just general impressions of where a country is heading.

Mr Kwinter: What I am trying to find out is, is it possible for the central government or the central bank to artificially keep the value of the dollar high by supports?

Mr Silk: Yes. It is possible for a central bank to maintain the value of the exchange rate. It would do that by influencing interest rates. You are quite right that Mr Crow does not, at least publicly, claim that is his objective. He claims his public objective is to reduce inflation, whatever the value of the dollar that results from that.

As the deputy points out, a lot of things influence the value of the dollar. One of the things that influence it is the credibility of the monetary authorities. Some observers are now coming to the view that one of the reasons the dollar is remaining high despite the narrowing of the interest rate spread is the credibility of Mr Crow as an anti-inflation fighter. His actions do affect the value of the dollar indirectly.

Central banks can directly target the exchange rate. They can say they want the exchange rate to be X, even in a free market, and set interest rates to influence and directly affect the value.

Mr Sterling: Therefore, our real trouble in Canada is that Mr Crow has too much credibility. Is that it?

The Chair: Can we move on to the next section now?

Mr Davies: I am going to ask Tony Salerno, who is the director of the fiscal planning policy branch, to take us through the next three slides. This summarizes the fiscal portion of the budget document.

Mr Salerno: On page 4 we have a summary of the 1991-92 fiscal plan. The revenues are forecast at \$43 billion. I might indicate that this is the first time revenues are actually declining year over year. There is about a 1% decline. Expenditures are projected at \$52.7 billion, giving a consolidated deficit of \$9.7 billion.

In the total expenditure of \$52.7 billion there is a capital budget of \$4.3 billion, of which over \$600 million is the anti-recession program the Treasurer spoke of this morning. Deducting that from the consolidated deficit gives the operating deficit of \$5.4 billion.

Down below we have a few measures of fiscal indicators, as we call them. You will see that the consolidated deficit is 3.4% of the GDP, the gross domestic product. As a proportion of revenue, the consolidated deficit is 22.6%. The public debt interest, or PDI, which is part of the total expenditure, is forecast at \$5 billion. PDI, the debt service charges, as a proportion of the revenues are 11.6%.

So far we have only two months of actual revenue inflows, and I can report that to date they are pretty well

budget. There are a few, such as retail sales tax, that are marginally higher, and corporation tax is slightly lower.

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On the next page is the medium-term fiscal plan the Treasurer spoke of this morning. By the way, this is the first time Ontario has presented a medium-term fiscal plan in the budget. In the past we have seen what have been referred to as medium-term fiscal projections in the grey book. But I think the fiscal plan is an indication of the government's intention a little more than the fiscal projections that were presented in the past in the grey book.

As the Treasurer indicated this morning, the medium-term projection in the plan of the government is to reduce the deficit and ultimately achieve a balanced operating position by the year 1997. This is, by the way, six years after the recession, which is consistent with the experience after the 1981-82 recession.

We have here the consolidated deficit. There is a typographical error. The first column, of course, is 1991-92, the second column 1992-93. From 1992-93 to 1994-95, the deficit is projected to decline from the 1991-92 level of \$9.7 billion to \$7.8 billion by 1994-95.

Capital expenditure, I may add, is one of the fastest growing components in this projection, but again, these are variable numbers. This is just a projection. The real commitment, as the Treasurer indicated this morning, is to the consolidated deficit targets.

With the capital expenditures presented here, the operating deficit declines from \$5.4 billion in 1991-92 to \$3 billion in 1994-95.

Looking at the fiscal indicators below, we have the deficit to GDP declining from 3.4% in 1991-92 to 2.2% in 1994-95. Essentially, all the fiscal indicators are trending downwards, except PDI is increasing modestly between 1992-93 and 1993-94 and it is stabilizing at the 12.3% level in 1994-95.

On the next page we reiterate what the Treasurer indicated this morning, again an indication of how the government intends to achieve these targets.

One of the things the Treasurer indicated, and second reading is today, is the establishment of a Treasury Board. The emphasis in the new Treasury Board will be to exercise greater budgetary controls and undertake a program review exercise.

In terms of indications of how the spending will be brought under control, again the Treasurer indicated this morning the recent success in negotiating the physicians' settlement, which essentially brings down the rate of growth in payments to physicians from an average of 12% plus over the last number of years to 7% this year and 6% over the next two years.

As well, the budget indicated intentions to modify the current policy for reimbursing other-country health care costs and plans to implement tighter controls in the drug benefit plan. These are projected to yield savings of \$260 million in the current fiscal year and over \$570 million by 1993-94.

Again, as I indicated in the previous slide, the budget also placed greater emphasis on capital spending and made a distinction between the capital and operating funds.

Mr Davies: That is the end of that section on the fiscal outlook.

Mr Kwinter: I do not want to turn this thing into a standing committee on estimates report, but I am just trying to get a handle on how valid are your projections as to revenue and expenditures.

One of the things that sticks out in my mind, and I would like a comment on it because I used to have responsibility for it, is the LCBO. We have a situation where the trend line in alcohol sales is down and has been for the last several years. We have a new 5% tax imposed. We have cross-border shopping. We have a situation where it would seem to me that by all indications, given all those factors, revenues should be down rather than up, yet you are showing revenues up \$15 million over last year. Again, I do not want to get into it line by line—

Mr Davies: I am sorry, Mr Kwinter; showing revenues up over the year just passed?

Mr Kwinter: I am not looking at this document, I am looking at the budget itself, on page 60. You show LCBO profits of \$650 million last year, or the interim estimate of \$650 million, and current plans—

Mr Davies: Look at them to grow to \$665 million in the coming year.

Mr Kwinter: Yes. Given, as I say, the cross-border shopping, the 5% increase in tax—and there is a direct correlation: The higher the tax, the farther down sales keep going, and the trend line on sales of alcoholic beverages is down fairly dramatically.

Mr Davies: The pattern of LCBO profits to which Mr Kwinter refers has been reasonably flat over recent years. This table shows \$640 million last year, estimated \$650 million—I do not know if we have the final numbers in yet—and the forecast at \$665 million. I just observe that is pretty flat overall.

This budget we are analysing here today had a tax change in it affecting the LCBO which we are presuming is not going to cause so much of a decline in consumption that it would wipe out the benefits of that tax change. The tax move on the LCBO profits, which is a volume levy increase of five cents, is forecast to generate \$45 million in 1991-92. So on the tax side we expect to be up \$45 million, but on the overall revenues we expect to be up only \$15 million. The difference reflects all those other variables you are pointing out, that consumption is dropping.

Mr Kwinter: You feel this is a fairly small conservative estimate of what revenues you can expect?

Mr Davies: We work very closely with the people at the liquor control board who give us these numbers to work from and it is part of their business, hopefully, to know their business.

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Mr Phillips: As I said earlier this morning, if I can crank myself back up, the median term for the fiscal plan is really interesting to me. How much in new taxes do you need in each of these three years to hit these revenue numbers? What are your assumptions on new taxes each year to hit the revenue numbers?

Mr Davies: As the Treasurer indicated this morning, he has not determined his budgets or the government's budgets for those years yet. The revenue growth as reflected in these numbers averages 9.8% per year for the 1991 through the 1994-95 period. I point out that in the 1984-90 period, it averaged around 10.5% or about 0.7% higher. As the Treasurer pointed out this morning, the revenue projections reflect a combination of growth in the economy and new, as yet undefined, tax moves.

Mr Phillips: In the budget, you say on page 50 that revenues grow at 90% of the gross domestic product, so you can calculate the whole thing. I said one other time to the Treasurer that it requires, in 1994-95, \$5-billion worth of new taxes to hit those revenue numbers, and I think he agreed with that. I just want to make sure I am not off base, that if you take 90% of the gross domestic product you would need about \$5 billion of new taxes to hit the revenue numbers.

Mr Salerno: That is correct.

Mr Phillips: The second thing that is really interesting to me is the capital fund. It is a neat political thing to do, but I am going to have some real questions about it as we go along.

In your Ontario capital fund in the budget, you say, "It has become clear that parts of our aging infrastructure require significant infusions of new investment to ensure that the people of Ontario will be well served in the future." Therefore—it is on page 55—capital is going to go from \$4.3 billion to \$4.6 billion to \$5 billion to \$5.5 billion, and I presume will continue at that level, the \$5.5-billion or \$6-billion-a-year level.

Mr Davies: We have gone out to 1994-95. To be honest, I would have to check with Tony to see if we had projected beyond 1994-95 in capital.

Mr Salerno: We have. The projections, as you go three and four years down the road, become more hazy, of course. These again are only projections, one set of numbers that will yield the deficit numbers you see there. The Treasurer indicated earlier this morning as well that the capital fund is one of the fastest-growing components in this plan.

Mr Phillips: I must say I view the capital fund as a device to try and hide the real debt, but I realize this is all going to be revealed. I do not know why you do not just build in, as the private sector would, an annual depreciation.

Mr Salerno: There is provision for depreciation built in that enters the operating numbers. The assumed depreciation is a straight line, 5% in other words, amortized over 20 years.

Mr Phillips: But that is on the new capital. Why would you not build in a depreciation of the—

Mr Salerno: Oh, you mean of the stock?

Mr Phillips: I mean the prior \$6 billion a year. If you were a business, you would be showing on your operating costs some figure that represents the depreciation cost of replacing your—

Mr Salerno: In fact, in terms of accounting, the old capital essentially has been depreciated, because it is carried on our books at \$1, I believe.

Mr Kwinter: Yes, but you do not pay any taxes.

Mr Phillips: I do not think you will get away with the capital fund the way it is in here. That will be at the public debate. Someone said it is like buying a new house. I do not think it is like buying a new house, it is like constantly repairing your infrastructure. What you are going to show in the operating are just the carrying costs on the new capital fund. I think the public will say, "Listen, as far as we're concerned you're spending that capital every year." And the debt has gone up, I guess, to another \$5 billion a year.

On managing health care funds, I have a disagreement with your numbers on two fronts. The numbers I have seen from the Ontario Medical Association say the savings are not 5% a year, they are 1% a year. I wonder if you have been able to reconcile the difference. I asked the minister that recently in the House, but there is quite a difference of opinion on the interpretation of the agreement.

Mr Davies: This is 5% versus—sorry.

Mr Phillips: You are saying, "Instead of 12%, it will be 7%."

Mr Davies: That is right. That is our 1991-92 estimate.

Mr Phillips: Yes, the OMA would say, "Instead of 12% it might be 11%." There is a 1% saving, not a 5% saving.

Mr Davies: We are taking the average over the last 10 years; it has averaged 12%. Under the plan that has been put in place, we are expecting the growth to be 7% and those are the numbers we are working from and assuming.

Mr Phillips: Yes, but the OMA in its interpretation of the agreement says it is not a 5% saving, it is 1%.

Mr Davies: I am not sure. I was just asking Tony. I guess we would have to ask the Ontario Medical Association because I do not know how it does its calculations. I know how we have done ours.

Mr Phillips: I have asked the Minister of Health this question in the House. As I said to the Treasurer this morning the determination of that budget will be in the hands of an arbitrator now for the whole budget and I am not sure the government is managing that any longer. I think it is the arbitrator who will make that decision, is it not?

Mr Davies: I guess there is always a point of debate as to an arbitrator's role and function, how it will be exercised. You were asking this morning whether there were any particular, I think the term was "fettering clauses" in it.

Mr Phillips: Yes, fettering.

Mr Davies: There was a supplement to the Ontario budget, it looks the same as the budget, about managing health care funding.

Mr Phillips: I have read it very carefully.

Mr Davies: There is a passage in there I would just read for the benefit of the other members.

"In determining any fee increase the board"—this is the arbitration board—"will consider 'fair and reasonable compensation for physicians in light of the prevailing economic conditions in the province and the overall state of the provincial economy.' This would include an examination of the cost of physician practice, the level and method of physician remuneration in other provinces, changes in real

per capita income in the province, the Ontario CPI, Ontario GDP and other economic indicators."

Mr Phillips: Again, I am sorry, I have asked some lawyers on this and the OMA's interpretation. This is what we would call completely unfettered arbitration, that the government's ability to pay cannot enter into it, the government's debt cannot enter into it, the government's fiscal problems cannot enter into it. I am just saying there is a fundamental difference of opinion on the interpretation. Maybe only time will tell, but in my opinion, that document you just held up there has a very different interpretation of the agreement. Maybe only time will tell. But I said to the minister, it is in the best interests to clarify earlier rather than later because you would hate for some time to creep in.

Mr Salerno: I would add that we should not underestimate the impact of capping the utilization, which is part of the agreement.

Mr Phillips: But you have not, I am sorry, and that will be determined by the arbitrator.

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Mr Sterling: I have to go up to the House to debate another bill and I would like to ask a few questions. You can answer them now or provide me with answers later. Have you broken down your capital expenditures into what is for reconstructing schools and reconstructing sewers and reconstructing roads, and what is brand-new construction? Is there any distinction between the two kinds of capital expenditures?

Mr Salerno: Not with an aggregate in Treasury as we do it, no. Obviously we could. It would be a big job to do it over time, but the ministries would have some breakdown of what is major repair and what is a completely new school.

Mr Sterling: So from now on you are going to depreciate at 5% the capital you put in. You are not going to go back, say, 10 years and depreciate what was put out then at 5%, are you?

Mr Salerno: No.

Mr Sterling: So it is very advantageous, at the front end of the system, to work it this way. Could you provide me with the total amount of foreign debt we have in Ontario, both by yourself, Hydro and any other agencies basically receiving their funding from the government?

Mr Davies: Is that the portion of debt issued by Ontario Hydro, the government of Ontario or any of its subsidiary agencies held in foreign hands?

Mr Sterling: Yes.

Mr Davies: We can attempt to do that. I am not sure we have the full breakout, but I think we can undertake to get that.

Mr Sterling: Okay, I would appreciate that very much and I want to know what effect it would have if the dollar fell in value.

Mr Davies: Remember, our borrowings are in Canadian dollars. That is why I wanted to distinguish.

Mr Sterling: They are always in Canadian dollars?

Mr Davies: I guess 1974 was the last time we borrowed and did not convert. Ontario Hydro has a certain exposure to US dollars. For the first time periods, we will borrow in foreign currency and then convert when the time is opportune to Canadian dollars. Overall, at least right now, the composition of our borrowing is essentially in Canadian dollars, and I would have to ask how much of Ontario Hydro's is in non-Canadian. It is a relatively small percentage.

Interjection: I think it is about 25%.

Mr Davies: It is 25%? It is higher than I thought. That would be in US dollars.

Mr Sterling: I would like to know the total amount. It sounds like a good move by a former government.

The Chair: We move to the next section, then.

Mr Davies: Certainly. I will ask yet another member of the Treasury staff, Don Black, who is assistant director in the taxation policy branch, to highlight the tax initiatives in the budget. I would observe that there is a summary of revenue changes and then we have added a couple of slides on personal income tax moves, because they were among the moves of some interest in the budget, but obviously we are here to attempt to answer questions on any of the revenue charges.

Mr Black: I would point out before I begin that I have a more complete package which expands on that table on page 7. It gives a little more detail, as I go through the two areas I picked out to describe briefly, so I will hand those out as soon as I am finished.

On page 7, the summary of the revenue changes table is exactly as you would expect. It goes through the dozen or so tax changes that were in the budget. The difference between the 1991-92 total number and the full year number is quite simple. In 1991-92, some of the tax changes do not start until later in the year and there are a couple of tax changes phased in. For instance, the gas tax has two tax increases, one in April and one next January, so that is the difference between those two.

I would also point out that when I make this more complete package available, there is also an interprovincial comparison table at the very end which might be helpful in figuring out where Ontario stands in terms of its tax rates compared to the other provinces.

Flipping to page 8, I picked just a couple to talk briefly about, the personal income tax and the gasoline taxes, primarily because those are the ones that seem to have caught attention thus far.

On the personal income tax, I will briefly describe the two changes the budget contained. The first is a surtax rate increase change. The change is from 10% to 14%. Simply put, that means that for anybody with Ontario income tax payable over \$10,000, what used to be a surtax rate of 10% becomes 14%. It affects roughly 165,000 people in the province and it only affects people who make over \$84,000, so it is confined to the upper end of the income scale. To give an example of the impact of these changes, for this year the effect of the surtax change on somebody making \$100,000 is about \$50. For somebody making \$200,000, the effect of the change is about \$355. On a full-year basis you would double those amounts. So it is

not a dramatic change. Although the rate looks like a fairly large increase, the relative amounts are small.

After this change, and this will be pointed out on the interprovincial table, I would note that the Ontario effective tax rate on income is still the third-lowest in Canada. This surtax change nets \$60 million this year and \$90 million on a full-year basis.

Flipping to page 9, the second change I would briefly touch on is the change to the Ontario tax reduction program. That is a tax cut program that has two elements involved. One is a basic amount and it is confined to the low end of the income scale. There is a basic tax cut and there is an additional tax cut for families with children or disabled dependents.

It is the second component, the tax cut for disabled dependents and children, that has been enriched in this budget. Until this year, it was \$200 per child or per dependent disabled person; it is now \$350. As pointed out in the middle of the slide, that benefits about 115,000 people and represents about 240,000 children and disabled dependents. The cost to the province is only \$5 million this year, but on a full-year basis, in the amount people will receive when they fill out their tax returns, it is \$50 million.

In total, this tax reduction program benefits about 700,000 people.

On page 10, the next tax change, and the one that seems to have generated the most calls post-budget and the most correspondence post-budget thus far, is the change to gasoline and diesel fuel tax rates as announced in the budget. For all of those rates appearing on the top half of the page—the gasoline tax by 3.4 cents, aviation fuel, diesel fuel and railway diesel fuel—the number at the end of each line, for instance, the 14.7 cents for gasoline, represents the fully phased-in tax change as of 1 January 1991. There will be two increases in each of those; for instance, on the gasoline, 1.7 cents on 30 April and 1.7 cents again 1 January. It is the same for each of those, so the final number there represents the fully phased-in amount.

I would point out, as again will be shown on the interprovincial table, that Ontario is towards the upper end of gasoline taxes with this most recent change but still well below Quebec and Newfoundland. Quebec, for instance, has a tax rate of almost 16.5 cents on gasoline. So it is towards the upper end. The other significant feature of this tax change is that in terms of the full-year tax increase, this gasoline tax change represents almost half of the total. On a full year it is about \$500 million.

I see Bryan is handing out the more complete packages, if anybody wishes to flip through them. That completes that part of the presentation. I do not know if you want to spend any more time on any of the other tax changes, but we would welcome questions.

1700

Mr Sutherland: You will have to excuse me; I do not have that much understanding of the personal income tax system. The increase in the surtax rate—that is after any other deductions they made, and the final amount of taxable income is the \$84,000; is that correct?

Mr Black: That is the gross income amount. That is the minimum amount of gross income a person would have.

Mr Sutherland: Okay, so not net.

Mr Davies: Before any deductions.

Mr Black: The minimum amount a person would have before going into the surtax range is \$84,000 in gross income.

The Chair: On that, if he has a \$15,000 RRSP, is that before or after? With the federal RRSP, would that effectively mean he would have to make \$100,000 a year before he would pay the surtax?

Mr Black: Yes, that is right, he would.

Mr Davies: Yes, \$99,000, to be right to the dollar.

Mr Phillips: I am not sure whether this is the right place to ask this, but the Treasurer has made quite a bit of comment about the federal government cutting back dramatically on transfer payments and what not. What percentage of our revenue do we get from the federal government in transfer payments, and has there been any quid pro quo in terms of the federal government giving up directly tax points on the personal income tax in return for any reduction in transfer payments? Is there anything that happened there that we should be aware of?

Mr Davies: To address your first question, there is a pie diagram on page 74 of the budget that attempts to show the budget revenue for 1991-92. You will see that federal government payments show up as a grand total of about 12%.

Mr Phillips: About 12% comes from the federal government?

Mr Davies: I ask Harriet De Koven, who understands these matters in detail, to clarify that answer. But on a cash basis, it would be 12 cents.

Ms De Koven: Yes, it is 12 cents or 12% on a cash basis, but we also receive from the federal government tax points under the established programs financing, which would be an addition of approximately 6%. They appear as part of our tax revenue under personal and corporate income tax.

Mr Phillips: I know it is fashionable to blame the feds for all our problems, but what is the best way to look at what we have been getting from the federal government? 12% in direct grants and then another 6% in tax points. Has directed we receive that revenue on?

Ms De Koven: In 1977, when the established program financing came into being, the federal government ceded the tax room to the provinces. The perspective of the provinces is that that tax room now belongs to the provinces and does not represent a federal contribution any longer. It also does not appear on the federal books as an expenditure. It is revenue forgone to them.

Mr Davies: Essentially what happened is they just carved up the tax territory.

Mr Phillips: This is personal income tax, is it?

Mr Davies: Personal income tax.

Mr Phillips: That is the one that has been growing dramatically, is it not? Is that not the one where the money seems to keep flowing in?

Ms De Koven: They ceded 13.5 personal income tax points and one corporate income tax point. You are correct that the value of the tax points has been growing relatively more quickly than the established programs financing entitlement. EPF is the program in respect of post-secondary education and health care. Particularly now that EPF has been frozen by the federal government, the tax portion makes up a greater proportion. The cash portion, which is the residual, gets smaller and smaller and in fact will disappear, we estimate, some time after the year 2000.

Mr Phillips: I just seem to remember last year \$1 billion, \$900 million, of personal income tax coming in at the end of the year. Was that sort of a surprise?

Mr Davies: Yes, a lot of that was in respect of prior years.

Mr Phillips: What is that worth to the province in terms of revenue, six points?

Ms De Koven: Six per cent.

Mr Phillips: So we pick up six percentage points—or that 6% of our total revenue?

Ms De Koven: It is about 6%. We cannot calculate it on the same basis because it is a share of basic federal tax and we do not know until some time after the year in which we are entitled to it exactly how much we have. But it should be about 6% of our total revenue.

Mr Phillips: How much do we blame the feds? Can they say to us, "Well, wait a minute, don't get too angry because transfer payments are only 12% and we gave you these tax points where you are picking up all this money on the personal tax side?"

Mr Davies: That would be an interesting characterization on their part, because I think if one went back to 1976 when the negotiations were going on—I was not there so I could be wrong—as I understand it, the essence of the deal was, "We will start giving you cash payments, and recognizing that those cash payments aren't as big as you want them to be, we are going to get out of a certain amount of income tax room"—which was that many points at that time—"and leave that for you." So that was part of the initial deal, setting relatively low dollars. I do not know if that is a fair characterization.

Mr Salerno: What is relevant here is that what the federal government is doing is reducing the total entitlements. The sum of that money comes from the value of the tax points. Consequently, it is really quite irrelevant because that is the total entitlement that is made up of the value of the tax points. Whatever those tax points might be, they deduct that and then they give you the balance in the form of cash.

You pointed to a prior-year adjustment in respect to the personal income tax. Let's say they pay us more in respect to that prior year. The value of those tax points increases. Consequently, they take some cash back in respect to that same year. I know it sounds a little complex, but what really happens, and what they have done over the last two years, has been, in the case of the EPF, they essentially flat-lined the entitlement. Because the personal income tax points in respect to that entitlement keep growing, the cash transfer will diminish. What is important is the latest

action they have done in terms of freezing or reducing the growth in that entitlement. So the tax points are really not an issue. They are not important; they are only important in determining the residual.

Ms De Koven: If I could just add to that, under the original arrangement our payments for health care and post-secondary education were to have grown at the same rate as growth in gross national product. What has happened now is that there is to be no growth at all; the formula has been successively altered over the years from the original arrangement. So what Tony has said is exactly right. Under the entitlement that we now get, which is completely flat-lined, the value of the tax keeps going up, and because the total is being held constant, the cash keeps going down.

Mr Phillips: I am not advocating this but just asking what the facts are. What is in the Ontario taxpayers' best interest? Is it that the national cash payments to all provinces be restored, or are we better to just raise the money ourselves locally?

My point is that we will argue with the federal government that it should reinstate some substantial growth in health and education. I gather Ontario is a fairly significant contributor to that fund for other provinces. I am not advocating this, I am just interested in the answer, but which is in the Ontario taxpayers' best interest?

Mr Davies: I am not sure how one defines their best interest. What would cost the least amount of tax dollars? If one looks at it from that perspective, historically Ontario taxpayers have been a net contributor to Confederation. Money from Ontario gets redistributed to other provinces. If there were not other provinces to whom moneys flowed from Ontario through the federal government, obviously there would be less taxes drawn out of Ontario.

1710

Mr Christopherson: I am pleased and interested that Mr Phillips would raise this particular issue because I had discussions recently with a local Hamilton MP, who happens to be a good Liberal, who was concerned about the fact that this was the answer he was getting constantly from the federal government when he asked about the issue of transfer payments, because that is an important issue to our community as it is to every other one. So I found it very enlightening to listen to the questions and the answers.

I would like to pursue one answer I heard. There was a statement that the federal government does not show the tax-point transfers as a tax expenditure.

Ms De Koven: It does not appear as a program expenditure. It has no bearing on their deficit except to the extent that it is a forgone revenue.

Mr Christopherson: Is there anything else that is similar, other than the tax points that have been given, in terms of the relationship between the feds and the provinces? Is there any other kind of arrangement that has been set in place and does not show as a tax expenditure or as a net gain for the province?

Ms De Koven: I am not aware of anything in the case of Ontario. But in the case of Quebec, there are a number

of additional tax points. Under the established programs financing, they have an additional, I think, eight tax points. They have an additional five tax points under the Canada assistance plan that the other provinces have not and an additional, I think, three tax points for a youth allowance program that is now defunct in other provinces. There is nothing in Ontario that I am aware of. Tony?

Mr Salerno: No.

Mr Christopherson: What I would like to do is just ask the question straightforwardly from a little different perspective. How correct is it, in your opinion, to say the provinces do not have the right to squawk about the reduction in transfer payments because these point transfers took place?

Ms De Koven: I was going to reiterate what Tony had said previously, that the tax transfer is only part of what we get under the entitlement. As the tax transfer increases, it displaces the cash portion. What is really relevant is that they have held down the total amount of money being provided in respect of health care and post-secondary education. Whether we are getting it in tax or cash is not that pertinent. It is the total that has now been flat-lined. On a cash basis—by that I mean cash flow—we got approximately \$70 million additional this year over last year under the established programs financing. I think our expenditures for health and post-secondary education went up about \$1.6 billion more. I would have to check the numbers, but the amount we got from the federal government in addition to what we had last year was about \$70 million. Our expenditures for those purposes went up about \$1.6 billion.

Mr Christopherson: Thank you. I think that adequately expands on the issue for the purposes needed.

Mr Kwinter: Briefly, without getting involved in the politics, Bryan, I would like you to respond to this. The gas guzzler tax: Last year it was \$45 million, this year it is \$90 million, so the revenues have doubled. And when I and others in the House questioned the Treasurer he maintained that it was environment driven, it had nothing to do really with revenues. It was a byproduct of the environmental initiative.

I am a little concerned about some of the statements he made yesterday. I was not in the House but I read some of the reports and he is indicating that, yes, we are re-examining our position on the gas guzzler tax, but we have to make sure that whatever adjustments we make, the revenue remains the same. Which leads me to believe that in fact it is revenue driven and they are using the environment as an excuse to get that revenue. Do you have any comments? Without getting political, obviously.

Mr Davies: I read some press reports this morning, too, and I guess the press reports I read emphasize the commitment to ensuring that their environmental objectives were still being met. Quite frankly, in any tax move there is a combination of features that are desirable. One is to achieve public policy objectives and one is to raise revenue. I cannot comment on whether the Treasurer of Ontario said he wanted to ensure that revenues were the same, because I did not read that and I was not watching the House or in the House to hear him yesterday.

I did want to pick up on one of the numbers you cited though, of the gas tax proceeds in prior years, because it did not ring true in my memory. Don, maybe you could just clarify that?

Mr Black: The numbers we have in our hands suggest that up until the budget change, the tax on fuel-inefficient vehicles would raise about \$7 million.

Mr Kwinter: On page 28 of the budget it shows revenue on fuel-inefficient vehicles in 1991-92 \$30 million on a full year \$45 million.

Mr Black: Yes. Those are the increments over the \$7 million. So for this year it would be \$7 million plus the \$30 million and on a full-year basis it would be \$7 million plus the \$45 million.

Mr Kwinter: But on page 4 of this document, the bottom line, it says 1991-92 \$45 million, full year \$90 million.

Mr Black: That could be a typo and if it is, I apologize.

Mr Kwinter: Page 4 of this one. There are two documents.

Mr Black: That is the fuel taxes. That is the diesel tax fuel.

Mr Davies: That is not the so-called gas guzzler.

Mr Black: Yes, that is the diesel fuel. The relevant page for the tax on fuel-inefficient vehicles is under the retail sales tax on page 6.

The Chair: Should we move on to the next section?

Mr Davies: Fine. The final section in the overview presentation is the section on financing or how the borrowing requirements are being covered off. I would ask Sandra Tychsen, director of the finance policy branch in Treasury, to guide you through those pages, which are 11, 12 and 13.

1720

Mrs Tychsen: To discuss the borrowing requirements, I will first describe the composition of the borrowing requirements, then the sources of funds we have available to fund the borrowing requirements, then the decisions we have made to date in funding the requirements, and finally discuss the credit rating and its relationship to Ontario's borrowing costs.

For the 1991-92 budget year, that is the year ending 31 March 1992, our total financing requirements or borrowing requirements for the province are composed of the deficit at \$9.7 billion, maturing debt for the year of \$639 million giving us total borrowing requirements of \$10.365 billion. Of that financing requirement for this budget year, we have borrowed up until this point \$4.169 billion. That leaves us with \$6.196 billion to finance over the remainder of this budget year.

To finance the budget requirements we have available to us a variety of sources of funds. First, the public bond market, in addition the short-term floating rate Treasury bill market. The bonds and T-bill market constitute the public sources of funds. In addition to that, we have non-public sources of finance, which include Canada pension plan; the Province of Ontario Savings Office funds, which we are required to borrow by legislation; some other small deposit and trust accounts, which include some small per-

on, which I believe includes the legislative pension fund; liquid reserves, the reserve funds we have for meeting cash requirements of the province.

I will describe now, given that sort of menu of choice for financing the deficit, what choices we have made to date for this budget year. This is page 12, which is the funding decisions for this budget year to date. Again, this begins for the 1991-92 budget year.

Our borrowing to date for funding the budget requirements consists of \$2.6 billion. In your handout it says \$575 million in public market bonds. These have included issues in our Canadian bond market, in the Euro-Canadian market, which of course is also in Canadian dollars, and in the US market, called the Yankee bond market. The average term to maturity of our bond financings is 5.6 years and the weighted average yield, or our average borrowing cost for all of those issues, is 10.14%.

In addition to public bond issues, we have borrowed \$800 million through the provincial Treasury bill market. I could note that most of those Treasury bills, which are short-term borrowing, have been converted, via a financial technique called an interest rate swap, into fixed-rate or longer-term bonds of 5, 7 and 10 years. In addition, we have borrowed approximately \$800 million from the CPP and have borrowed a small amount—it is a little too early to say exactly how much, but it is done on a sort of month-to-month basis—from non-public sources of funds, including the Province of Ontario Savings Office, other deposit funds, pensions and trust accounts and also our liquid reserves.

We began our borrowing at the beginning of the fiscal year; the funding decisions I have just described include those borrowings for this 1991-92 fiscal year. I would also note that since the budget itself has come out, we have completed two bond issues: a \$500-million Canadian bond issue on 11 June and a \$500-million Euro-Canadian issue on 17 June.

Mr Kwinter: Are they both in Canadian dollars?

Mr Davies: They are both denominated in Canadian dollars.

Mr Kwinter: I remembered I saw some press reports that they were going to be a little slower than normal. I just wondered. They are all subscribed, though, are they?

Mr Davies: Yes. This is Leslie Thompson, who is the director of the capital markets branch.

Ms Thompson: Yes, indeed, they have been. They are fully sold.

Mr Stockwell: I read the same press report. They did go slower than expected?

Ms Thompson: No, not at all. I do not think you can say that when the Canadian domestic issue traded at a premium within 15 minutes of launch that is a slow issue. That is pretty fast, and the Euro-Canadian broke syndicate within an hour and a half of launch. Two to three days is normal in Europe, so I think those were exaggerated reports.

Mr B. Ward: Fifteen minutes, is that—

Ms Thompson: Within 15 minutes of when it started to trade, the bidding was at a premium on it. We had not broken syndicate yet and it was already at a premium in domestic.

Mrs Tychsen: I turn now to page 13, Ontario's credit rating. Following our regular annual meetings with the credit rating agencies, the credit rating agencies reported and have changed Ontario's credit rating. I should note there are four different rating agencies. In our handout we have provided you with the ratings that are most significant in terms of financial markets. These are first the AA2 rating given to us by Moody's and the AA-plus rating by Standard and Poor's. In addition to that, we are rated by the two Canadian bond rating agencies, Canadian Bond Rating Service, which has given us a AA-plus rating and Dominion Bond Rating Service, which is AA-low. With these current credit ratings, Ontario has the highest rating among the provinces. We share that with British Columbia.

I would like to note that it is important, in understanding the borrowing cost Ontario faces, that they are determined principally by the overall level of interest rates. In Canada we would look at the interest rates or what we call the yield curve set by Canada's bonds. These interest rates, as my colleague Qaid Silk has described, as you are well aware, are a federal policy of monetary policy and of general economic forces.

So the main determinant of our borrowing is the overall Canadian level of interest rates. In addition to that, another component of our borrowing cost is the spread, the additional amount anybody besides the federal government pays to borrow in the bond market, and we call that Ontario's spread or the spread over Canada. The overall level of interest rates plus the premium any borrower who is not a sovereign borrower would pay—the spread—is our borrowing cost. It is interest rates plus spread that give us our total borrowing cost.

I note that our borrowing costs, like any bond issue, would change minute to minute. My colleague Leslie Thompson is in constant and direct contact with financial markets. To tell you exactly what our borrowing costs would be at this minute would require assessing what is happening to interest rates at the federal level, understanding the various different spreads we would face for bond issues of different terms all the way from one year up to 40 years, as well as variations among different markets, what it would cost us to borrow in the Yankee or US market, what it would cost us to borrow in the Euro-Canadian market, the Canadian dollar, what it would cost in a domestic market; the complications go on from there.

While credit ratings are certainly a factor in determining borrowing costs, they are not among the major factors determining borrowing costs. In addition to that, there is a fairly uncertain and complex relationship between ratings and borrowing costs. Therefore, while there are general relationships, it is very difficult to match up any particular rating with a particular borrowing cost.

Lenders and financial markets do look at a variety of factors in addition to credit ratings and they also try to anticipate when rating changes will occur. You could have a change in your borrowing costs anticipating a change that does not come. You could have a rating change or a

change in your borrowing cost anticipating some other factor. At any one point in time it would be very hard for us to say our spread narrowed because we were expecting a positive rating change; our spread narrowed because they look at the Canadian currency positively. There are very many factors.

I note that rating changes are a factor, that prior to the rating changes our spread, its component of our borrowing costs, did increase somewhat. It would be very hard to say exactly by how much.

Mrs Tychsen: We were saying five basis points, or 0.05%. That may be a bit high. Rating agencies made their decision and the rating changes were publicly announced. Our borrowing costs have stabilized. Again, it would be difficult to give a precise answer to what exact impact ratings have had on the borrowing costs. I just wanted to set out the requirements, the choices we have in meeting those requirements, the decisions we have made to date and the determinants of our borrowing costs. That completes my presentation.

1730

Mr Sutherland: I was just wondering if you could provide us with some sense of how much importance you put on the credit rating. Different people think the credit rating is the be-all and end-all of your financial shape and your ability versus other factors. I guess I also want some sense of what our surrounding neighbours have. What is the credit rating for the American government? Is it a triple A1? What about the surrounding states like New York and Michigan?

Mrs Tychsen: Most sovereign governments—the US, Canada, the UK, France—have triple A ratings by both of the majors, Standard and Poor's and Moody's. There are a very few exceptions. Italy has a slightly lower one.

We keep track of the credit ratings of all the other Canadian provinces and US jurisdictions as well as some other entities. There are some triple A states but very few of those. I could give you a sheet we have which sets out the ratings of the American states if you are interested.

Mr Stockwell: You are saying five basis points? How much premium would, say, Massachusetts have to pay on its borrowing in basis points?

Mrs Tychsen: As a result of a ratings change?

Mr Stockwell: With their rating right now being as lousy as it is, how much does it affect their borrowing percentage-wise?

Mrs Tychsen: Again, because so many different factors affect borrowing costs, they would have the same difficulty we have in attributing any particular amount to that ratings change. We could go out and ask some point estimate but it would be fairly rough.

I should note that we are in the very top ratings tier. For the change from a triple A to a triple A-plus it is very hard to find an effect.

Mr Stockwell: That is why I asked.

Mrs Tychsen: Once you get down to a lower rating, to a situation where you might actually be at a rating where for example a large pension fund might have difficulty

buying your bonds because it might be considered slightly risky proposition, there could probably be large impacts. We can investigate what information there is in terms of Massachusetts.

Mr Davies: Just to elaborate on that, undoubtedly the higher the credit rating the easier it is to market your bonds, and usually the easier it is to market your bonds the lower the cost to your market. It becomes very difficult to market bonds when your rating goes very low. It is the availability issue that becomes the driving force to the cost.

Mr Stockwell: I was going to make the very point you just made. It is sounding as if you are downplaying the credit rating drop and I think that is a mistake. Clearly a credit rating drop is not a healthy situation. We would be like Massachusetts if we really did not care. But to measure in a sense you really cannot tell something like a full point more or anything like that.

Mrs Tychsen: I would note the access. Certainly in terms of access to different markets, in terms of the particular rating change we have just experienced, it would not be significant. It would be very difficult to list exactly what—

Mr Stockwell: The question asked is what it is costing us, how much more it is costing us with the drop in our credit rating. You are saying, "We cannot answer that." Or are you saying nothing?

Mrs Tychsen: We cannot be specific. It is very difficult to be specific. We have given some rough estimates, for example, but I would note that when we looked and when we tried to track several years ago—and there we had a longer period to track, the ratings change in 1985—after we tried to isolate the impact of the ratings change, unfortunately overall interest rates were dropping at the same time, just as they are now, which makes it difficult to isolate.

Mr Stockwell: I understand. It is very difficult, I agree. So I cannot be sure of any numbers that I hear thrown out by the government?

Mrs Tychsen: We gave our best estimate and used, I believe, a study that had been done in the US a number of years ago; but most analysts will tell you that it is difficult.

Mr Stockwell: I appreciate that. On page 13 I went down to the third bullet, "Changes in borrowing costs generally do not follow immediately on any rating change and already have been factored into Ontario's borrowing costs." How did you do that?

Mr Davies: I think that is referring to the fact that the market had already discounted our fiscal situation. It had already been pricing our bonds as if we had a rating lower than—

Mr Stockwell: So the market did it, rather than you people? I assume you are saying that was before the budget came about or before you went out looking for money.

Mr Davies: Yes.

Mrs Tychsen: You might have to distinguish a couple of different factors at play there. One is that the rating is the result of a determination by the rating agencies that takes into account many different factors and different weightings by the different agencies. For example, the different rating agencies obviously have assessed Ontario

credit rating slightly differently. We have a slightly different rating in terms of levels from Moody's and Standard and Poor's. One is AA-plus, which is slightly above the Moody's AA2. Therefore the financial markets, even in anticipation, have to decide an outcome which would not be clear.

Mr Stockwell: I understand. So it was not your department that said: "Gee, Floyd's coming with a budget. We're going to have higher costs incurred due to interest rates because we're going to have a higher deficit, so we'd better assume that we're going to have a drop in our credit rating." You did not assume that?

Mr Davies: You mean in terms of figuring out what the estimated borrowing costs were?

Mr Stockwell: Yes.

Mr Davies: No. Again, the big factor affecting our borrowing cost is interest rate and our interest rate forecasts. That is the real driver.

The Chair: On the issue of floating bonds in the marketplace, is not the bottom line really whether people are going to buy our bonds and at what rate of interest they are going to do it? For me anyway the bottom-line question is, are our bonds going into the market and being purchased at a lower interest rate than some other bonds because they see our market as a safer market for buying bonds?

Mrs Tychsen: When you say "other bonds" could you clarify what you mean?

The Chair: Other provinces, other states, other countries put bonds into the market; they are obviously all out there at the same time. If people are purchasing Ontario bonds at, say, 9.96% interest and they are passing up 10.5% on some other country's bonds, obviously there is a reason for that.

Mrs Tychsen: There is a weighing between risk and return. Most portfolios would buy certain amounts of bonds that would be AA and above. That is usually where the cutoff is.

The Chair: So the question is, how are our bonds going in that market? If they are being sold in 15 minutes, it seems rather quick.

Mr Davies: Yes. If one uses the benchmark of how much more that is than the government of Canada has to pay for a bond of comparable term, a five-year bond. I do

not know how high Newfoundland would be now, but it would be 90 or something like that?

Mrs Tychsen: No, probably over 100.

Mr Davies: They would have to pay over one percentage point more than the government of Canada would for a similar bond. Our five-year bonds are trading over Canada's now about—

Mrs Tychsen: Sixty-two in the domestic market today.

Mr Davies: —about 62 and Quebec would be about 85. I do not know if that helps you. You can see that the lesser one's credit, the higher interest rate is demanded.

Mrs Tychsen: There are other factors that weigh in there too, in that they want some kind of diversification of a portfolio. In other words, nobody would load up entirely with one particular bond. They want to diversify.

The Chair: Thank you. Are there any other questions for the Deputy Treasurer and staff?

Mr Christopherson: Other than to thank them for their sterling performance, once again.

The Chair: I was just about to do that. I would like to thank you, on behalf of the committee, for spending this afternoon with us. I guess the projection that we could do it in an hour was just a little out; it always takes a little longer when people start to ask questions. Thank you for coming, and if in the future you have any further information along the lines of the questions that have been asked here, if you could pass that along to the committee, we would be appreciative of it.

Mr Davies: We will certainly do that. We will try to keep track of a series of outstanding issues and we will get back through the committee to the members.

The Chair: Thank you very much.

Our last order of business is to firm up a subcommittee meeting for Monday. At what time and place?

Mr Kwinter: I do not know the time because I do not know what commitments I have, but generally Monday is fine. Todd, maybe you can call my office and find a time that is convenient to everybody.

Mr Sutherland: Ten or 12 is good for me.

The Chair: This committee is adjourned until 10 o'clock next Thursday.

The committee adjourned at 1742.

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Budget de 1991-1992



Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 27 June 1991

The committee met at 1009 in committee room 1.

1991-92 BUDGET

The Chair: I would like to thank you for coming this morning. The format is for you to do your presentation and then whatever time is left between now and approximately 1 o'clock will be divided equally among the three parties. I have my stopwatch available to make sure everything is done equitably and fairly, so if you could begin please.

Mr Whitestone: Sure. Thank you very much for asking me to be here today. It was a hot walk up but I am glad to be here and, without going into a long autobiographical comment about myself, I have in the past worked for both Conservative and Liberal Prime Ministers in Ottawa and I think I do my very best to be objective and work by what I learned in a textbook. I am a professional economist, and I repeat I am doing my very best to be objective and without any prejudices. I have my own partisan biases.

My comments will be divided into three sections: general observations and the philosophy expounded by the budget, a very brief analysis of parts of this budget, and finally, recommended alternatives.

The budget's underlying philosophy: A common supposition inspired by John Maynard Keynes is that the government can reduce the severity of or perhaps eliminate economic cycles. Stressed is the importance of taxes and government spending, as governments have the power to stimulate or suppress economic activity as the need arises. Specifically, this theory urges that government spending be stepped up during recessions, even if an appreciable budget deficit happens to be among the consequences of such stimulative measures. A corollary to this notion is the danger of the so-called liquidity trap, which may develop when money is pumped into public hands but is saved and not spent. If savings pile up, the economy noses down on account of lacklustre spending.

The Keynesian solution, as it has often been applied in postwar recessions, is to spend until business recovers. In this view, therefore, budgets do not always need to be near a balanced position. Deficits achieved through higher spending and, it should be noted, tax reductions—which of course this budget does not really bring except in a minor way—are seen as highly beneficial at times, usually during recessions or in the early stages of business recoveries.

Conversely, budget deficits are inappropriate when the economy is running close to flat out. No matter what the *Globe and Mail* said, I fail to understand how anybody can read this particular budget. I read very briefly the Conference Board of Canada comment, and it has lauded the budget deficit here for helping the recession, yet there is no comment about what happens in the out years. I fail to understand how anybody can not take that into consideration,

which ought to be key no matter how much of a Keynesian you are.

The intended result of such a policy is an economy that expands rather steadily, minimizing the economic cycle. Remember, 20 years ago they thought they could eliminate the economic cycle—so be it. In practice, this idea of how the economy ought to work has failed. There are many explanations of why this theory has not worked. The essential difficulty is that today's economy has become so out of kilter that it is not able to readily set things right. Debts—federal, provincial and even private debts—are so great that they have swamped our credit markets. When interest payments on the debt become an ever-mounting item of expense in budgets—federal, provincial and private—any plan for a sharp rise in spending to spur economic growth may deter rather than encourage business activity.

Let me briefly mention something here that I think ought to be key for anybody. When the gap widens between total debt and nominal GNP—how much GNP is rising—the financial sector absorbs so much cash flow from the economy that it incapacitates the system from creating the means to meet the interest payments. In other words, when the debt rises so much—and right now the debt in North America is roughly 2.9 times GNP, right about the 1929 peak—it incapacitates the system, because the need to meet interest payments is so onerous that the economy cannot expand enough even to meet the interest payments. That is why, even though it is hard to understand, deficits and debt really are in the long run deflationary, unless it goes through a wild Weimar Germany type of inflation, because the need to meet the interest payments cripples the economy. That is where we are now. So I cannot understand, when the problem is too much debt, why the solution is to create more debt. I think that is the problem.

It is rather obvious that deficit spending ultimately entails inflation—or as I pointed out, deflation—unless you do something about it. Credit creation takes place, or if that does not occur, then the money demanded by the government sector takes away money or credit from the private sector. Furthermore, to the extent the resources utilized by government are less productive than resources utilized by the private sector—and I think everybody would acknowledge without any bias that government spending really is less productive and efficient than in the private sector as a generalization, and we all know that government spending is much less efficient generally—then a shift towards a larger public sector reduces the overall productivity of the economy. Now I recognize that there is the odd case where government spending can be efficient and private sector spending can be inefficient, but as

a generalization I think nobody will deny what I have just mentioned.

An increasingly disproportionate public sector, quite apart from its inflationary and non-productive consequences, carries with it the familiar but always important implications for individual liberty. The governmental bureaucracy—and I used to be part of it, incidentally—comes to have a momentum and power of its own.

An increase in overall budget size is reflected in particular spending programs, each of which will quickly come to develop its own beneficiary constituency. To justify its continued existence, the particular bureaucracy of each spending program must increase the apparent need for its services. I used to be in the federal Privy Council Office 25 years ago, which you perhaps know is the apex of the federal government. When I was there, about 28 years ago, there were 65 people. There are now 1,000.

Furthermore, some politicians enjoy spending public moneys that yield some demonstrable benefits to their constituents, but they do not enjoy imposing taxes on these same constituents. Perhaps a larger question is the failure of the average voter to condemn the politicians who behave irresponsibly. I think we are all derelict in not explaining this to the public. I think the duty of a politician—I am a failed politician, so maybe I do not know—is to use his or her platform to explain things that the average person can understand. Any politician is derelict who does not explain exactly the consequences of what he or she is doing.

The philosophy supporting deficits is founded on the belief that economic growth is retarded by inadequate purchasing power and that consumer spending ought to be augmented by government spending. However, the historical record suggests, particularly in the last decade, that capital formation rather than consumption is a primary determinant of economic growth. Japan invests between 25% and 30% of its GNP in capital spending; we spend roughly 10% and the US less than that. What has lagged in recent years is not personal consumption or government spending but profits and investment.

Second, sharply enlarged public works can be self-defeating in their effort to stimulate the economy. Public works usually are concentrated in capital projects: bridges, roads and things like that. Capital spending is like putting a half frozen man next to a red hot stove. Construction prices and wages—and I repeat, public spending is usually focused on construction—climb too fast, and that drives prices there beyond the capacity of additional potential buyers. All this has in the long run a depressing influence on economic activity.

Ontario's 1991 budget: The rationalization for the \$9.7-billion budget deficit, the jobs it will create, is covered by the above comments. I am going to come back to one phrase I repeated later on.

Other aspects of Ontario's spending priorities are disturbing. The great bulk of new spending is for such things as pay equity and job equity, for improving the lot of those already employed. I do not quarrel with that as an objective. I think I try to have Christian compassion. Aside from the fact that these programs have a proven record of failure, it

is unfortunate that outlays on social assistance exceed spending for schools, colleges and universities.

I think anybody would agree that the key to our ultimate success in the 21st century is education. Enhancing job protection is a worthwhile objective, but for the long term, if we are going to compete in the global economy of the 21st century, we must have an educational system at least equal to the best anywhere else in the world. By that way, Ontario's decision to opt out of a national standard test implies that we have given up on that effort. Almost everywhere I have gone in the past month or so, people complain about that. I think the copout is very significant. I was at the Toronto Symphony last night and bumped into a teacher I know from Elora. He mentioned again how unfortunate he thought that was and what the implications of it were.

Second, if we try to be the one jurisdiction that has more rigorous standards than our trading partners, how on earth are we going to compete, either in costs or attracting investments in entrepreneurial activity? Capital will simply flow to other areas that are more hospitable. I read the rather scathing comment of Conrad Black in the *Financial Post* a couple of days ago, but I think the point is that if we have standards that are much higher than anywhere else in the world, why would a person build a plant here rather than in Buffalo? The answer is clearly that he or she would not.

The proposed manufacturing recovery program will provide grants to small and medium-sized manufacturers that are suffering from the business recession. The record of governments in picking winners has been abysmal. We all know what happened in Nova Scotia with Bricklin. Everywhere the record has been poor. Even with the best of intentions—and the best of intentions do not always occur, because governments are subject to all kinds of pressure—governments cannot substitute for the marketplace. Ask anyone in eastern Europe or the Soviet Union for confirmation of that.

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Longer term, one must be concerned with some of the arithmetic inherent in the budget. The budget suggests that growth plus inflation to the years 1994-95 will add up about 7% annually. Ontario estimates its tax take grows about 90% of the nominal rate of the growth of the provincial economy—90% of 7%, which is roughly 6%. If that ratio continues, our tax revenues will fall short of the projected 10% spending increases. So our revenue will be rising at roughly 6.3% and our spending is rising at 10%. That means roughly we are going to have to find 4%. We are implicitly being told that taxes will have to be raised by about 4% of spending for the next several years—that arithmetic says that—a frightening thought and one that will further deter investment here.

In this connection, the plan for imposing a minimum tax on corporations was reasserted. It was not imposed, but the suggestion was made. It is well known that corporations themselves do not pay taxes. It is wonderful that people say, "We should increase corporation taxes," but who ultimately pays corporation taxes? The answer is you and I, of course. Corporations simply pass on tax, like all

per cost, to the consumer. Furthermore, the threat of such tax or additional other levies, which is obviously implicit in that number, such as those suggested at one time or another by the Treasurer, such as a wealth tax, a speculative tax or inheritance taxes, obviously will ensure that entrepreneurs do not locate in Ontario.

I work for a firm in downtown Toronto. I am not exaggerating to say that we average at least one call a day from people who want to move their funds out of Ontario. The same thing happened in Quebec, where actually I used to work, where the government thought it could act with impunity and it drove out entrepreneurial activity. The result of course is that Quebec has the highest unemployment, aside from Newfoundland, in the country.

One may sympathize with the idea of a gas guzzler tax, even modified, on automobiles. However, by imposing that levy now, what will be the effect on car sales, which are now in such a deep slump? Will the major automobile companies, almost all of which are international in their operations, be likely to locate in the one province that sells larger cars? The answer is obvious.

All of us decry separatism and deplore the fractured state of our country. When Quebec goes it alone in its language law, we regret that move. Now, Ontario apart is pursuing economic policies that diverge from those in every other province and from the direction of the federal government as well. There was a graph that appeared recently in the *Globe and Mail* depicting the fiscal steps of the provinces of Canada. Every province except Ontario is straining employment in the public sector and trying to trench in order to achieve a better fiscal balance.

The Bank of Canada has been compelled to tighten monetary policy in an effort to combat inflation. Also, in order to right the wrongs of the previous decades of profligacy, taxes have been raised, notably the GST. Now Ontario is moving in the opposite direction. In the long run, this will undermine the efforts of the other governments, both provincial ones and the federal government too.

In the budget there is a table that reveals that a \$670-million tax increase will result in the loss of only 4,000 jobs, a calculation that seems impossible to make. I do not know how you can figure that out. The same document states that \$670 million in higher anti-recession spending will create 18,200 jobs, described as person-years of employment, a rather interesting bureaucratic term, or an average of \$36,000 a job. In other words, the spending only cost \$36,000 a job; the taxes presumably involved 167,000 a job.

As a non-smoker, I am in agreement with the additional \$210 million to be collected from cigarette smokers. This should be accompanied by a more determined effort to reduce cigarette smuggling, which according to the press is soaring. If you watch the news, apparently people are doing this all the time, waylaying trucks, breaking into stores and things like that.

It is very disturbing that the Ontario Treasurer projects continuing deficits of about \$7 billion to \$8 billion at least until 1995. I find that, no matter what your objective point of view is, the hardest thing to understand. The rationalization of such big deficits in the out years simply does not

exist, and from the very cursory examination I read in that *Globe* article today by the conference board, even it fails to understand that. I cannot understand any rationalization for it. I am going to come back to one thing at the end too.

Recommended alternatives: It seems to be forgotten that governments do not create jobs. If so, it would be marvellous. You look at other countries throughout the world, leaving off eastern Europe, but in countries like Argentina, which used to have a somewhat democratic tradition, they have tried that and all it does eventually is lead to a falling GNP. It would be wonderful if governments could create jobs, but they cannot because all they are doing is using the resources that are there; they cannot create resources out of nothing.

There are no incentives to invest in this budget. There is nothing in this budget that will stimulate profits. The word profits hardly ever appears in our lexicon of words and papers any more. First, there should be an ethic of restraint. Cutting back on excessive wage increases in the public sector should set a good example. I know Gordon Wilson of the Ontario Federation of Labour rather well, and he and I have talked a bit about what has happened to Algoma. And you can mention another example too which occurs to me. In the United States in the 1930s the coal miners numbered 670,000. John L. Lewis, who was head of the United Mine Workers for a long period of time, kept on demanding and getting excessive wage increases. What happens? There are now 67,000 coal miners, one tenth of what there were 50 years ago, because automation was more profitable. So excessive wage increases do not work.

I am not a person who objects to higher minimum wages. I know the rationalization for it and I do not wring my hands about that because I know there is a reason for it. But excessive wage increases are counterproductive. Cutting back on excessive wage increases in the public sector would set a good example. In fact, let me mention something. Does anybody here know what the average wage is in Ontario Hydro, the average wage for everybody there? Anyway, it is \$45,000 a year—the average, which includes people who just do the most menial jobs to the people who are the engineers.

Also, to finance a projected short-term job creation, we will need bigger deficits and therefore higher interest payments. That will add to the burdens on Ontario's budget and eventually increase taxes, which destroy jobs.

I am going to repeat the same phrase I used before. When the gap widens between total debt and nominal GNP, the financial sector absorbs more cash flow from the economy, so much cash flow from the economy that it can no longer meet the interest payments or of course create jobs to keep the economy afloat. That is the key thing there. In the later years, therefore, obviously the budget deficit should be cut back. As a suggestion to help the north, the creation of an economic free zone should be considered.

Rather than a subsidy, by that all taxes and regulations except those that affect the environment, health and safety, could be abolished. You know they have tried this even in places like China and it works like mad. If such a policy were pursued in, say, Elliot Lake, does anyone doubt that

the local economy would pick up? The manufacturing sector could be given a limited tax holiday, with perhaps some forgiveness for Ontario's share of the capital gains tax it collects. I have thought about this for a while and people say, "You would have a fractured tax system in Canada." But for many years, as you probably know, every province did not have an inheritance tax, so there is no reason why Ontario could not forgive capital gains tax on, for example, people who start a manufacturing enterprise. It would lead to job creation here.

The automobile industry could be given some sales relief if the tax on smaller cars were reduced. We had a similar plan on all cars in the 1970s in Ontario. Remember, I think for half a year they eliminated the sales tax on all cars, and it stimulated car sales a lot.

Finally the health care budget needs to be placed under strict controls. Anybody who looks at the projections will know it is totally out of control. In fact, by the year 2000 it will absorb the entire current budget, so you have to do something about that. The way we pay doctors on a fee-for-service basis should be modified. Doctors should receive half their remuneration, as an idea, on the usual basis but the other half on a capitation basis for those enrolled. That would cut costs, provide an incentive for doctors to keep us well, provide better service and save money. Also we should change the use of hospitals. No longer should they be used for chronic care. Hospitals consume half our health budget, yet they should be used only for emergencies. Anyway, thank you very much for your attention. If I can answer any questions, I would be very pleased to do so.

1030

The Chair: There are 30 minutes left. We will divide it into three and there will be ten minutes each, beginning with the Conservatives.

Mr Stockwell: Well, Mr Chairman, considering that Mr Whitestone is the person we brought in, I would be prepared to give up our time for the two other parties.

The Chair: Beginning with the Liberals, then.

Mr Kwinter: Mr Whitestone, I would like to just pursue a couple of your premises. When you talk about the Keynesian philosophy about going into a deficit position in recession and then paying it down in the out years, have you taken a look at where you think the economy is going, let's say over the next four years, and what the effect of this additional deficit of \$7 billion to \$8 billion—which is just a projection, and my feeling is that it is going to be higher than that anyway—have you given any thought to what that is going to do to the economy?

Mr Whitestone: One says sort of humorously that one should never make a forecast, particularly about the future. I usually treat long-term forecasting with a great deal of skepticism. I am not going to repeat for the third time the phrase I mentioned about the effect of debt, but I think we are going to have a very limited recovery at best. I do not see the legs on which an economic recovery can be sustained or very buoyant. Money supply growth has been very limited in both countries.

Governments are limited, certainly in the US, which has the biggest effect on our economy. Both federal and

state governments in the US are under a tremendous burden of huge deficits. Next year, 31 states are going to have a budget deficit of \$32 billion. Most state constitutions require a balanced budget, so they are limited both fiscally and monetarily. Capital spending is going to lag because utilization rates are so low and it no longer pays, for a kinds of reasons, which I can go into at some other point to expand a plant. Exports are diminishing because many countries are experiencing slower growth, so I think you are going to have, at best, a very sluggish growth.

If the problem really has been—and I have mentioned this repeatedly—too much debt, adding to the debt here certainly is not going to alleviate the situation, I do not think, and I am not anti-Keynesian at all. I think that at certain points it has been all right. I think part of the problem—and I was a Liberal, Mr Kwinter—was that when the Liberals were in power, they did not do what Keynes suggested, which is to reduce taxes and curb spending. I was very much taken aback by it because it was really what was called for.

Mr Kwinter: Could I just make another comment? In your remarks you also referred to the fact that corporate taxes are not really a tax on the corporation; they are a tax on the consumer. I just want to share with committee members a remark that David McCamus, president of Xerox Canada, said to me one time when he came to visit me as the Minister of Industry, Trade and Technology. He was being critical not just of you—you were not even in power at the time—he was being critical of government, and he said, "One of the things that government has to learn is that we do not pay tax; we collect tax." He said: "You put a tax on us, we charge it to our customers. Not only do we charge it to them, but we mark it up. We put it into our cost component as a tax and then we add our profit, and the only impact it has on us is that if it is so high that the export price makes us non-competitive, then we go somewhere else. But that is what you do to us. It isn't a hardship on us per se. It isn't as if you are saying to us, 'We're taking the money out of our pocket and paying the tax.' We just pay it along."

I think that is a very significant statement that all of us should consider because I had never really thought of that way myself. I have to admit that. But when you think about it, that is what happens.

Mr Phillips: I would not mind having your comment on the capital fund proposal in the budget. The government's plan is to set up the fund and just pay the interest on the fund as, I personally think, a kind of a new way of taking the deficit down. Have you examined the capital fund and do you have any thoughts on it?

Mr Whitestone: I write a newspaper column, Mr Phillips. John White was the Treasurer here, I guess, about 15 or 18 years ago, and he said he always liked that idea. I think the trouble with the idea is you really cannot delineate what is capital spending and what is ordinary spending. I mean, school spending; what is school? Is that capital investment? Is hiring more teachers a capital investment? The problem is the whole line becomes so fuzzy that you really cannot do it.

The overall objection to it is that whether it is capital spending or ordinary spending, the net result is the deficits are higher and interest payments on the debt have to be met, so even if it is really for something you and I might consider beneficial, the old idea of a road so the farmer can bring his or her product to market more easily, in the long run the cost of that, the interest payments, have to be sustained. Even if you call it justified, and a lot of capital spending is, the problem right now is too much debt, so no matter what the reason for it is, having added to the debt burden is not a solution.

I like the idea because it would mean we could forget it but you cannot, for the reasons I mentioned.

Mr Phillips: Do we keep going for our 15 minutes? Is that it, or do you want to skip around?

The Chair: If you have no questions, I will move to the next and give you time at the end.

Mr Phillips: I have a question, but I prefer to keep the one.

Mr B. Ward: It is easier to keep tabs.

Mr Phillips: I would prefer not to set a precedent where the NDP goes last every time throughout the hearings.

Mr Sutherland: It will rotate, will it not, Mr Chair?

The Chair: Okay. If that is the case, then I will go to Mr Sutherland.

Mr Sutherland: Your presentation was interesting, although your comments about the coal miners did not seem to make a lot of sense to me. The fact that people just do not use as much coal is also one of the reasons. They have gone to more environmentally friendly methods, or what has appeared to be that. More effective and efficient methods are also one of the reasons we have such fewer numbers.

Nowhere in your presentation did you say where you thought the budget should be. Should it be a balanced budget? Should there be a deficit? What level should that be at? You mentioned freezing civil servants' wage increases. I think the Treasurer said last week when he was here that if they had been frozen, that still would not have made a significant dent. We still would have been left with a deficit of probably \$7.5 billion or \$8 billion by doing that, so I would be interested in knowing where those cuts should come from besides that and where you think the deficit should be.

Mr Whitestone: Well, let's go back. I do not want to linger on the coal miners thing. I do not know the numbers, and I would not try bluffing, but I would think coal consumption is not down 90% in the last 50 years. The reason we have more efficient production is that it became more profitable to invest in machinery than in workers. For example, let's just mention something. I am old enough to remember when there used to be elevator operators. I do not think a new building built today has an elevator operator, because wage increases have been such that it pays to have automated elevators. So excessive wage increases in the long run entail the need for a more efficient means to utilize dollars.

Where should the budget deficit be? I have no idea. All I know is that you have one that is higher than it has been,

even adjusting for inflation, in any other recession. It is roughly triple what it was in the previous recession. I guess the recession is a little bit higher. The cost of living is up maybe 30% or 40% since 1982, so if you take \$3 billion and add roughly even 50%, it would make it around \$4.5 billion; I do not know, just as a rough rule of thumb.

How would you cut back? Well, I could keep you here for ever. As you may know, I was economic adviser to Bob Nixon. The question always came up, and Bob and I talked about it. Where do you begin? You begin with government activities it should not be performing at all. Have any gone through Terminal 3? Terminal 3 is large and privately owned. There are all kinds of activities government should not be doing and it is involved in them.

A very simple one, which I hope will be non-partisan: What does it cost to feed and keep an inmate in a prison today? I do not know, \$40,000 or \$50,000 a year? Does anybody doubt the private sector could not do that more efficiently? That should be an objective. Why could it not be done more efficiently?

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Road construction should be handled differently than it is today. There should be tenders for all kinds of things.

The health care budget is totally out of control. I think we have a marvellous health care system. My eldest son is a surgeon. I am very aware of it, but I think you have to change the way you spend money on health care. About four years ago I brought in somebody to Murray Elston, who was the Minister of Health in the early part of the government. Dorothy Hall and I had all kinds of proposals to Mr Elston on how the health care budget should be cut back, not that you want to reduce services, because nobody wants to do that, but the program is totally out of control.

School budgets: When I was a candidate, I went around everywhere and pointed out how school spending is totally out of control. School buildings are not utilized all year round. You have too many administrators in the system. I could go on for ever, but I want to share roughly what I had in mind. I do not want to take too long to answer your question.

Mr Sutherland: I do not think anyone disagrees with you about the health care system. It has been clearly mentioned in the budget that the system has not been managed and that we all have a responsibility. I think all parties agree we have a responsibility to start managing the system.

I want also just to ask you another question in terms of the generalization you made about the private sector being able to do things more efficiently in targeting resources. I guess my sense, though, is that in a recession the private sector has said it is not going to do it. So if the government does not do it, who is going to do it? In other words, the sense is that in this time the government can target the specific areas to jump-start certain parts of the economy to get it going. For example, the anti-recession spending in the infrastructure for capital will get the construction industry going, because that is the one that has been hardest hit; that type of thing, the ripple impact of doing that. Someone has to kick-start it. The private sector is not; so

are you saying if it is not going to, government should not either?

Mr Whitestone: I mentioned the analogy of the half-frozen man, that public spending usually goes on the construction industry and it is like putting a half-frozen man in front of a red-hot stove. What you are really doing—and I recognize the need for infrastructure, and this is rather textbook—is letting wages in that particular sector get out of line. There is so much activity channelled there that if you and I want to build a house, we find that wages are out of line, and in the long run it is not productive.

What should the government be doing? I do not think the answer has to be that. I am not anti-Keynesian at all, but the approach should be to encourage profits, to encourage people to move here. Look at what Hong Kong has done. If you had lower taxes here, if, for example, you reduced the capital gains tax on manufacturing activity—let's say you and I started a manufacturing company, and this was the one province in Canada that did not have a capital gains tax on a manufacturing enterprise. Does anyone doubt that this would not encourage people to start here? I think it would.

So rather than kick-start capital spending, which often, frankly, occurs at the wrong time—it takes so long to get a project going, by the time you have it going, you are usually out of the recession. You know, you have to get an engineer, an architect and a planner to build a bridge, and all that does not happen by tomorrow. By the time you get it under way in a year and half, it usually, almost always, occurs after the recession is over.

Mr Sutherland: If I may just follow up, in this case, since you said recovery is going to be that much slower, then the \$700-million anti-recession spending which is to be spent before the end of this capital year is a good way of doing it because it is being done while things are still going, or while the recession is still having a major impact.

Mr Whitestone: Yes. That part I would not object to, except the overall comment which I made. The problem is the overall size of the debt and the fact the debt is taking so much out of the economy that the economy cannot survive. Normally I would agree with you, but I think with the problem being debt, it is counterproductive right now.

Mr B. Ward: I do not think you answered Kimble's question, though, on where you feel the budget should be. During these tough times, should it have been a balanced budget?

Mr Whitestone: No, I thought I did indicate it.

Mr B. Ward: I did not quite hear you.

Mr B. Ward: I thought I said, just as a rough rule of thumb, adjusted for inflation, maybe \$4.5 billion, I do not know.

Mr B. Ward: A \$4.5 billion deficit.

Mr Whitestone: Yes. I think we made a mistake in the 1980s in not having surpluses built up which would have reduced the deficit. Then you could have more easily survived a budget deficit. I would not like a balanced budget right now. I think it would have been very difficult to achieve.

Mr B. Ward: You are an economist and I am assuming you have studied other countries' economies. Which one do you feel is the best role model at this time, recognizing Canada as a basket case because of the federal policies?

Mr Whitestone: I think we are a unique country therefore I am not going to follow the scare tactics.

Mr B. Ward: Which one would you say?

Mr Whitestone: I would like to borrow from various countries. I know you would like me to say Sweden, but Sweden has become a basket case itself. I would like to borrow from a lot of countries. I like what Hong Kong and Singapore have done and, to some extent, Japan, which somehow has a directed economy. I think we are a unique country, therefore I would like to borrow from various countries.

Mr B. Ward: What about the American economy?

Mr Whitestone: No. I think the American economy is guilty of the same kind of surfeit of debt that we have had and there are other things about the American economy I do not like—its health care system, which is even more outrageous than ours. No, I think government spending is a much lower percentage of gross national product than ours, but I think there are other things which are missing there, their infrastructure—

Mr B. Ward: So you do not really have a favourite? You would rather take a look at the benefits of a number of economies.

Mr Whitestone: I like Switzerland and what it has done with education. It has done a marvellous job with education, but I think we are a unique country. Do you want to follow one country versus another? No. I like a lot of things about Switzerland, for example, which has such a unique educational system. I would like to borrow their educational system. I would like to borrow other countries' work ethic.

Mr B. Ward: Turning to education, as you mentioned, I think that is an important issue, and it seems to be with you because you have stressed a need for an educated workforce here in Ontario, and in Canada for that matter. There is no denying that. In Ontario, do you feel there should be cutbacks in education, there should be expenditures or there should be greater usage of existing resources? Somehow I think you will say the third one.

Mr Whitestone: No, not at all. For example, I recall that in Wellington county they are building a new \$5-million headquarters building. I would like somebody to get rid of those kinds of outlays, which I think are unnecessary with new kinds of telephones and communication. I think the dollar should be used much more efficiently.

Mr B. Ward: Greater use of the physical structure out there.

Mr Whitestone: Yes. That should be used more efficiently. I have talked to teachers—and you can too; I am sure you have—and you find that the administrative overhead is excessive. I think school boards really have not utilized personnel efficiently. I would like facilities to be used year-round. After all, the long summer holiday is a legacy of when we were an agricultural economy. Why on earth

in a child not be going to school for 11 months of the year? Now teachers maybe need relief. For heaven's sake, I think I would eliminate some of the paperwork teachers are burdened by. I know they are, because I have talked to them, and I think we are not utilizing resources efficiently at all.

Other countries spend less of the GNP than Canada does on education and have a better educational system. George Bush, who is not my favourite person by a long way, mentions that point and I think it is a valid point. We spend a bigger share of GNP on education than a lot of other countries, but we do not utilize the resources efficiently. Look at what Switzerland does, and if you want, some day I will tell you about it. They spend much less and they have a much better educational system.

The Chair: Mr Ward, you have about three minutes left and then Ms Ward would like to have a question, and Mr Christopherson as well.

Mr B. Ward: Are we using up all our time? I will pass, then. I was going to talk about wages.

The Chair: There are about three minutes left.

Ms M. Ward: I thought we were rotating. No?

Mr Kwinter: We are rotating on how you are going to use up all the time. If you use up all the time, there is nothing to rotate.

Mr B. Ward: I will pass, then.

Ms M. Ward: I wanted to ask you about inflation and the GST. First, a quick question about inflation. Do you think it has really been a serious problem in the last couple of years?

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Mr Whitestone: I am a bit sceptical on the actual numbers—and I think anybody who goes shopping knows that numbers really do not totally reflect inflation—because there are property taxes, school taxes. I think the basket of goods is not misrepresentative but I think inflation is more of a deep-seated problem than we recognize. When you have inflation with the kind of numbers we have today—goodness gracious, in the 1970s Richard Nixon imposed wage and price controls when we were having 4% inflation, and we have more than that now—I think it is a problem.

Ms M. Ward: You do think it is a problem and has been for a few years.

Mr Whitestone: Yes.

Ms M. Ward: The other question is basically about the GST and taxes in general. I gather from your comments you felt the GST was a good type of tax. Is that the right interpretation? I cannot recall exactly what you said.

Mr Whitestone: I do not think I said that.

Ms M. Ward: What is your feeling on the GST, and what type of tax do you feel is the most efficient and most fair?

Mr Whitestone: I do not like the GST as a tax right now because I think it is giving the federal government more resources, which it should not be having. Generally, I do not like regressive taxes.

Ms M. Ward: Do you not think the GST is a regressive tax?

Mr Whitestone: Yes. I do not like regressive taxes and I think the GST is that kind of tax. On the other hand, I like to stimulate capital investment and cut back a little bit on consumption, so I have a mixed opinion on it. I think the best solution—if you are asking me my ideal solution, and if I were dictator of Ontario, which you are probably glad I am not—the solution I would propose right now, if you did it selectively, would be to cut back on manufacturing, capital gains, taxes like that. That is what I would like to do. I have a mixed opinion on it. I would not have imposed the GST when they did.

Ms M. Ward: Is it simply a question of timing, though? Do you think it was the wrong time?

Mr Whitestone: It was the wrong time. I think it was a complicated tax that could have been simplified and I think the federal government reneged on its promise to cut back other taxes, which other countries have done when they imposed that kind of tax. If they had cut back on other taxes such as personal taxes when they imposed the GST I would have been much more willing to accept it. That was the original premise on which it was presented.

Ms M. Ward: Actually, in the paper this week it said that, for the mythical family of four, I think the increase in taxes since 1984 was about \$1,500.

Mr Whitestone: Originally, Michael Wilson promised he would cut back on personal taxes. He did not even reduce the surtax on it. I find that part objectionable.

Mr Phillips: I think the government would say: "Well, you are overly worried about the deficit and the debt. The debt, as a percentage of revenue, never gets below 150%. The public debt interest as a percentage of revenue just creeps up slowly to 12.5%. Why be overly worried about that?" As you look at those numbers, what is your feeling on that?

Mr Whitestone: My own feeling is that the marketplace has a reaction, that no matter what you say, compared to historical record the cumulative effect of the debt we have now means that interest rates here—I mean real interest rates—are unbelievably high. If we have inflation at roughly 4% or 5% and you look at long-term rates—what are mortgage rates now, 11% or 11.25%—you have real interest rates around 5% or 6% compared to the average we used to have, the historical average interest rate of 3%.

The market is saying, "The cumulative effect of all the debt we have built up for the past 40 or 50 years is so worrisome that people want double the real rate of return that historically we have had." It is twice what it should be because the cumulative effect is so bad.

Mr Stockwell: I would like a little more discussion on the out years. The government has held up this Keynesian theory that deficit financing is the best way to fight a recession. You could almost buy the argument that you could run a \$10-billion deficit in the first year if you were talking about a recession that is supposed to end in the next 12 months, which I think the government has said. In fact, I think we were supposed to be spinning out of the recession

right now. I do not see it happening, but that is what their people said, that in the summer we would be spinning out.

How then can the justification be made that we would have to run horrendous deficits—and I classify them as horrendous deficits—in the following three years? If we were really dealing with this theory that the government has put forward on Keynesian economics, should we not be looking at surpluses to pay down the deficit that we absorbed in the first year of their four-year plan?

Mr Whitestone: I looked it up quickly while you were talking. I said here on page 4: "It is very disturbing that the Ontario Treasurer projects continued deficits of about \$7 billion to \$8 billion at least until 1995. The rationalization for such big deficits in the out years simply does not exist." I think that is the thing to which I take the biggest exception. Your comment is one for which I find the least justification. There is none that I can find. If the economy expands, as the Treasurer implies, roughly 3% in a year or two from now, I cannot understand that and I think that is a part which I find indefensible.

Mr Stockwell: The other point I would like to examine is this: In the five years the Liberals were in power, they assumed \$10 billion of new debt. It seems unbelievable to me that during that period of time the government could absorb \$10 billion, and the government today has said that is one of the main reasons we are in this particular situation. They have often said, "If you people had managed the province better, more wisely, we would not have to absorb some \$10 billion in deficit this year alone." What are your thoughts on that?

Mr Whitestone: Without being embarrassed, I think that in the five years of the Liberal government, they did things which may have been justified for social reasons, like eliminating OHIP premiums, but the lag effect is that, in part, it led to our problem. I think governments have always made mistakes. You can go back for 20 or 30 years federally too. I think it would have been better if we had had a balanced budget for some of the years when Ontario had the most prosperous interlude in its history. That would have been a far more appropriate economic policy. To some extent, that is the cause of the particular budget deficit we have today.

Mr Stockwell: Lastly, there has been some talk the government suggested that during the early 1980s when the Conservatives were in power it ran a deficit itself in fact. I believe there is a great difference between the early 1980s deficit the Conservatives ran and the early 1990s deficit the NDP is running. The difference I have pointed out was that in certain circumstances there were tax holidays offered—in essence, incentives—which caused the deficit, or helped cause some of the deficit in the early 1980s, as opposed to spending increases that have caused the deficit now in the early 1990s.

Do you have any comment on how the two deficits were arrived at? If you were going to run a deficit, which would be more preferable in your opinion?

Mr Whitestone: I cannot remember the breakdown of the 1970s deficits, which were really basically more a percentage of Ontario gross national product, but I think I

would much rather have one based on incentives. I mentioned briefly that Ontario removed the sales tax on cars in the 1970s for half a year; I think that is by far the preferable way of doing it than spending.

The trouble with spending is that even with the best intentions, it really is so diffuse and so often inappropriate that it does not work. It leads to log rolling and things like that. To answer your question, yes, I would much prefer incentives to spending because those incentives provide more opportunity for the marketplace to function.

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Mr Stockwell: I put a lot of stock in the percentage of tax as a proportion of the GDP for the province in the number because I believe that is how much money you are sucking out of the economy, that you are not leaving in the economy to be reinvested or create wealth, jobs, etc.

I have examined past budgets and the numbers, and in the early 1980s to mid-1980s, we were taking about 14%. We are now in excess of 16%. It seems to me that is going to be very telling for the private sector or for anyone who is interested in investing, knowing full well that you are taking literally billions of dollars more out of the economy some 10 years later in the projected budget they are talking about.

It still leaves them with a reasonable amount of money spent on servicing the debt, or servicing the deficit. They are saying 18 cents or 14 cents as opposed to 11, etc. It does not seem that onerous, but when you examine how much more money they are sucking out of the economy, that is what I think the important number is. Could there be any credence given to that?

Mr Whitestone: I think that is right, Mr Stockwell. I think the other point, which I mentioned in my presentation too, is that if you look at what they talk about, spending increases and tax revenues, they are implying very strongly, are almost saying that they are going to have to increase taxes by 4% because if spending increases are 10%, revenue increases are going to increase 90% of 7% which is 6.3%, so they are saying they are going to increase taxes 3.7% a year anyway on top of all that. I think that is worrisome. The thing has a snowball effect. Interest payments are added to the budget deficit, so year after year you are compounding the problem.

The Chair: Thank you, Mr Whitestone, for your presentation this morning.

MICHAEL McCracken

The Chair: Our next presentation is by Michael McCracken, the president of Informetrica. Welcome back to the finance and economic affairs committee, Mr McCracken.

Mr McCracken: I was not going to say anything, but I guess I have to start. Given the challenge that has been set for you to explain to the public what is happening out there, it perhaps behooves you to have at least a starting point, some clarification of what economists think is happening, because presumably you are going to be trying to do that, so I may pick up on a few of the points of Mr Whitestone just to provide some clarification.

Very quickly, though, just as a backdrop, let us see if we can accept a few facts. I will put them forward as facts and then you can query them.

First, Ontario has been in a deep recession, one in which the unemployment rate has risen from an average of 6.1% in 1989 to 6.3% in 1990 and now appears headed towards 10% for this year.

Real economic growth in the province has probably declined, both in 1990 and again in 1991, welfare rolls are up and bankruptcies are up. There is also some evidence at least that Ontario entered early and was in this recession, certainly in the manufacturing sector and perhaps in other parts of the economy, from September 1989 on with the rising unemployment rate starting at that time.

The second thing we can perhaps agree on is what was done in the budget. Again, I am just trying to make sure we start with a base. The way I read the budget, there were a series of tax moves on the indirect tax side and personal income tax side, raising some \$1 billion in additional revenue on a full year basis, some \$670 million over the fiscal year at hand, perhaps offset, depending on how you do your arithmetic, with the parallel application of the provincial sales tax not taxing the goods and services tax, an amount estimated to have provided an implicit tax cut of some \$470 million.

There were also expenditure increases in a number of sectors: in particular, some \$2 billion in discretionary actions, a number of those aimed at capital formation both in the highways area and special infrastructure areas.

One can dispute the numbers, although I suspect you are talking about the numbers to the right of the decimal rather than the left, making up some gap that was created in part by federal government cutbacks on established programs financing of some \$1.6 billion in 1990-91, and of course dealing with the earlier cutbacks of some \$1.9 billion in earlier years. If you take this view, then you are left with a rough assessment of about \$6.5 billion as a deficit that would have been there, let us say, for cyclical reasons, deteriorating from about \$3 billion in the previous period.

What could have been done? One option obviously—one always considered, at least for a moment—is to do nothing. That leaves you with roughly an \$8-billion deficit. That leaves you with no momentum or optimism injected into the system and no increments or changes on the infrastructure side.

You could take the levers and push them back in the other direction—cutbacks to the deficit by tax increases, expenditure cuts, etc—either to maintain the 1990-91 level, the roughly \$3-billion deficit, or to take it back to zero or whatever numbers one wants to conjecture. The costs would be increased job loss and deeper recession.

You could have done a third thing, which was to stimulate, and stimulate more than has been done, 2% to 3% of GDP, a real kickstart to the system rather than the modest stimulus that was put into the system. Again, one looks for the opportunities to do that. One looks also at the absorptive capacity of the system on infrastructure and makes a judgement. What you saw in the budget presumably was the net effect of all that.

As we discuss this, I think it would be useful, when you are talking about the deficit or thinking about it, to put it in a slightly different way, which would be to presume for the moment that we have had one of these efficiency gains that are alleged to be out there in the operations of government, whether that be school boards somehow working better or doctors working harder or discovering or stumbling across that alleged roomful of civil servants who are doing nothing. Let's say that as a result of that you found \$1 billion. You have discovered \$1 billion of requirements you no longer have or, if you really want to play the mental game, the federal government relents and gives you back \$1 billion on EPF or Canada Assistance plan. Now the question mark is what to do with that.

Is the best thing you can think of at this point in time, with the economy in the state it is at, to reduce the deficit? Is that what you would do, essentially say: "We are not going to borrow \$10 billion. We are going to borrow \$9 billion"? Or would you say, "No, what I am going to do is cut taxes by \$1 billion at this juncture, leaving the deficit unchanged"? Or would you raise expenditures by \$1 billion and, if so, on what—infrastructure, human capital formation or on other needs?

In some sense, that might be a useful exercise to go through, because in fact that is the exercise you are doing at the margin each time. When you have a change in a revenue forecast, a new requirement that comes up, you ask the question, "Should I fund this new requirement immediately by taxes? Should I do so by debt?" and so on.

Just as quick—I would not call them corrections—amplifications or redirections or additional observations on some of Mr Whitestone's points, he put forward a view that the Keynesian view of how the world works has failed. I suggest to you that is not true. It has been amply demonstrated, as recently as the oil price shock we all received in August and September, that if you take money out of people's pockets you do cause an economic slowdown which in the case of the United States tips it into a recession and in the case of Canada pushes us from a mild made-in-Canada recession to a rip-roaring recession where the betting now is on whether this will last as long and be as deep as the 1981-82 recession.

I think if you want to look for failure, it would be the failure of some levels of government, under some circumstances, to use what they know appropriately; in other words, a failure to act, allowing unemployment rates to continue to rise to levels which were unheard of a decade ago, for reasons which still I find difficult to understand politically.

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The second point is that there is much concern and hand-wringing about debt and debt ratios, usually with the federal debt ratio roughly 50% or some 40%, not the 15% or so of provincial GDP represented by the Ontario ratio, but nevertheless hand-wringing over that.

Let me suggest to you that what you are observing with the high debt ratio is not the problem but rather a symptom of a difficulty and a symptom of the kind of policy setting you are operating under. It is arithmetic to show that changes in debt ratios essentially are dictated by two

things: first, what kind of primary deficit you are running—that is, what you are doing on your program of spending versus your revenues—and, second, the difference between interest rates and the growth in the economy you are operating in. You can do that in terms of nominal interest rates and nominal growth or real interest rates and real growth—it is the same thing.

If real interest rates exceed real growth you have a problem. This applies not just to provincial governments, not just to federal governments, but to any debtor. The flip side of that is any asset holder who is getting a return in excess of the growth of the pie will find itself getting a larger and larger share of the asset side. The problem, then, must have something to do with the relationship between real interest rates and real growth.

If you examine Canada's history—in fact, for that matter, the history of most of the developed countries—you come back with a variety of signals. One, though, in the postwar period is a period, from the mid-1940s to 1979-80, in which real interest rates were less than real growth. In that environment debt was not a problem in any jurisdiction, nor was it for corporations, nor was it for individuals. The reason for that is that you could grow your way out of a situation in which you had liabilities because your growth exceeded the servicing costs, if you will, on the debt.

Since 1980, particularly in Canada, we have chosen a monetary policy that says: "No, we're going to run under a different set of rules. This set of rules is going to penalize the buildup of debt," and we have done so. Debt ratios have risen, starting in 1975 to 1980 because of a weak economy but post-1980 because of the debt ratio. That has got particularly bad in the last couple of years with the very high interest rates that are in place.

The question mark is, what do you do down at this level where you do not control interest rates in this kind of environment? It boils down to where you think the world is going. The federal government, in its budget, is telling you real interest rates are coming down and debt ratios are stabilizing, certainly way below the levels in the 1990-91 period. It suggests, at least in this environment, that you may well be, with some caution obviously, less likely to be entering an explosive situation than you might have been a year or two ago in running up an increased debt; ie, your debt stability should not be jeopardized by the fact that you are running a deficit.

I will not say any more on the inefficient government side, other than to simply point out in passing that presumably all of us in this room, regardless of political connection, are always interested in more efficient government. That we should take as a given. We should work always to improve it, but it seems to me to be a major red herring in discussions associated with the deficit or with the budget, unless one can point out particular or obvious items.

On the public works side, in terms of infrastructure bidding up prices, you might want to check the facts on that, check with your public works department. Ask them what has been happening to bid prices on highway construction that they have been putting forward in the last several months. My information suggests that they are

coming in below their budget, that they are able to do more real construction than they had anticipated and that there is no evidence of this great overheating of construction out there. In fact, it demonstrates that this may be a particularly opportune time to get more miles of highway for your dollar than is typically the case, which would suggest the timing on the additional highway construction may be particularly good.

I will make very little comment about the notion that somehow our standards on things like pay equity or other issues should be dictated by the lowest of our trading partners. I note in the morning paper that Conrad Black wanted to buy some assets in Australia. I say fine.

Also, let me make one or two quick observations with regard to this notion that somehow we are concerned about these out-year budget numbers and beating our chest about it. It seems to me the Treasurer could have avoided causing you that upset by simply not publishing them. Would you have felt better? My response would be perhaps not. Alternatively, he could have put out some numbers that had some arbitrary tax increases built in. We could have assumed, for example, a retail tax increase of 1% or 2% per year in each of the next four years and that would have made the numbers look "better." Obviously, as the time rolled around for the next budgets, little matter could have been reconsidered and adjusted as necessary.

You might laugh at that, but do not forget that is precisely what the federal government did with some of its increases in the federal sales tax. The Conservatives found after castigating the Liberals in 1984 for the increase in the manufacturers' sales tax that was scheduled in October 1984, that when they came in it was sitting there like a little time bomb. Having criticized it substantially, they found it convenient to go ahead and continue with it at that juncture. But that was purposefully there to make the numbers different in the future.

It would have been possible, through economic assumptions, to also make the numbers look a lot better than you see. That, it seems to me, is a third possibility. I suggest to you, at least from our analysis of the provincial economy, that this option was not taken either. If anything I find the growth forecasts low for 1992, 1993 and 1994 on the presumption that we get some sort of an economic recovery under way. I think what you saw there was the best shot at the time. Yes, sure enough, with no policy change and with an economy that is moving back toward potential but making slow progress in getting back to where you were in 1988-89, there may well be some continued deficits as are portrayed there. Again, I am not clear that one should panic or, as some apparently are doing, leave Ontario as a result.

In terms of this notion of a half-frozen man in front of a stove, I do not fully understand the analogy, but I guess what we are hearing is that rather than try to warm the person up we should just put him back in the deep freezer and leave him there.

Those complete my formal, and perhaps informal, observations. Let me throw it open and try to answer any questions you wish to put to me.

Mr Christopherson: I want to thank Mike for his presentation. Even when he is not agreeing with us, I always enjoy his presentations and the way he puts things and the frankness he has.

I would very much like to hear your thoughts, Mike, on something Mr Whitestone touched on, the separation of the capital and the operating budgets, which has had some attention, but probably not as much as it deserves. Mr Whitestone pointed out some of the difficulties he has with it. I would appreciate your point of view on that, please.

Mr McCracken: Businesses run on a capital budget. They do capitalize expenditures on things which last more than a year. There is a notion that somehow you cannot figure out what is capital and what is operating. This should not be a challenge for anyone. It is done every day by millions of people in business. It is arbitrary, and there is an incentive to do it in particular ways, given tax laws, but it can be done.

What do you get for it? You get a somewhat different appreciation. You get an appreciation that these things you spend on today have a value that lasts longer than a year. How much longer? That depends on how long the thing you spent on lasts.

That brings up the problem with this for government, that you cannot do capital budgeting without also doing depreciation accounting. If you do depreciation accounting, what you will observe—at least at the federal level where we in fact do capital budgeting in the national accounts, and for that matter, at the provincial level, where it is done—is that the depreciation allowance is about as much as the capital spending currently going on. So when you get it all done and you look at it, you kind of scratch your head and say, “Why did I do this?” It has not helped your presentation in the sense of what is going on all that much at the macro level.

It does help you, though, in understanding, and saying, “Look, this dollar we are spending today has a different value than this dollar on current expenses today, because we will be getting some ongoing benefit from this capital item.” I do not discourage you from doing it, but do not expect it to be any kind of panacea, or to provide you any fundamental change in the way the world works.

If it makes it look more businesslike, if you can compare your investment, and if you can make some allowance in your mind for the need to keep investment and upgrade it, great, because we ought to be doing capital budgeting thinking about our infrastructure so we do not run it up and down like a yo-yo and say, “This year we will not spend anything on roads because we need to save and make it look better,” or, “Maybe we can spend it all on roads this year.” Having some capital plan in that area could be very useful.

One final quick comment is that an additional thing you want to do—and you can do this whether you do the accounting this way or not; it behooves governments, I think, and to some extent they do this—to always think of having on the shelf capital plans you are able to do, and where you then make a judgement about whether to speed

up or slow down these capital plans, based on the economic conditions. It is very good contra-cyclical policy to have a shelf on which you have some projects—well thought through, designed, planning, costed out, benefit costs of these done on them, so you are doing them efficiently, ready to go. When you run into cyclical downturns your reaction time can be shortened in terms of when you do it, or if you are heading into an overheated economy where you will keep putting them on the shelf, but not try to build at the peak period of economic activity, exacerbating the difficulties.

I am sorry to make that so long, but there were two or three different concepts there I wanted to get across.

Mr Christopherson: I appreciate that; thank you.

Mr Phillips: I was interested in your comment on the depreciation, because you probably do not agree with the capital fund as they plan to set it up, which is to just pay the interest and put everything off for years. You would argue then in favour—because they say they need at least \$5 billion a year to just keep the infrastructure rolling—of some sort of accounting that showed that as a depreciation expense or something.

Mr McCracken: You would show your new capital investment as an increase in assets. You would then be making a judgement about the rate at which that depreciates, and that depreciation would be a current expenditure. If you are trying to see if you are in some sense balancing your operations at a corporate view, you would be looking for your operating expenses plus your depreciation to be in some sense covered by your revenue. But that does allow you in some periods to be increasing your capital more rapidly than your depreciation allowances, and in other periods you perhaps would be doing it less.

The big advantage of the capital budgeting is that you simply recognize it as a multi-year exercise, and you also have people in government recognizing that, yes, this kind of an expenditure is multi-year and has some value over a number of years and is different than spending that dollar on a one-year basis. You do not have people doing silly things like leasing cars rather than buying them, because it has less effect on their budget.

Mr Phillips: You have looked at the capital fund, then?

Mr McCracken: I have not looked at the particular one in this program in detail, but in the national accounts of Canada, we essentially do separate current and capital and put in a depreciation allowance for the federal and provincial governments.

Mr Phillips: I would appreciate your comments on it.

Mr McCracken: Sure, I will be happy to take a look at it and respond.

Mr Kwinter: Mr McCracken, I would like to pursue the concept of the true Keynesian policy that in the downturn you prime the pump by providing capital projects on the assumption that when the economy rebounds, you can then pay down whatever deficits you have incurred in the recession years.

In theory that seems to make sense, and for a while it was quite accepted as a basic economic concept that this is something you should do. How does that react when you have a situation where there is a basic restructuring going on? We have a situation with the systemic problems built in with globalization of trade, with the fact that companies that would normally be laying off people in recessions and hiring them back when the economy rebounds, are now saying: "We are shutting down. We are not coming back." How does that impact on the whole concept?

Mr McCracken: I think they are two separable issues. Let us look at the kind of investments you might want to make at the present time in a world that is restructuring. I think governments are certainly challenged to say, "Hey, in this kind of world, do we really want to do things the way we did in the past, or is there some spending we should be doing that will make us better able to cope with this restructured world?"

One obvious area that comes up quite often is both education and training, that focusing in that area may have a payoff in one form or the other. Other comments come up sometimes in certain kinds of infrastructure that we may have, or need, that we have not developed adequately as in the past.

The second question would then come up at this particular point in the cycle: Should we finance these additional expenditures by parallel tax increases, by cutting expenditure in other areas, or should we be prepared to postpone that financing or redirection of expenditures to a later date and, in a sense, deficit finance during the period? In some sense, that is the Keynesian issue of willingness to run a deficit. So that model or mental framework would apply, regardless of what the target was for your expenditures you were undertaking in the same way that you could say, "I have a set of expenditures I want to do over here for social equity."

Again, the issue might well be one of, do I deficit finance those, do I put in place charges that will cover those today, or do I build up a fund before the fact and then trigger the spending later, which is what has been done on occasions in other countries in a sort of foreview of a Keynesian framework? Sweden, for example, for years had an investment fund which was built up in hot times and was, in a sense, disgorged during weak times, the purpose being in some sense to provide contra-cyclical policy.

You can separate that from the quality or the kinds of expenditures that might be needed. There is nothing in the Keynesian world that says you can only raise welfare payments and in some other world over here you are spending on research and development. That is just not necessarily the case. There are sometimes differences in terms of the speed with which you can get something off the mark, and there is also a question of whether you can start and stop something.

For example, in a restructuring program you may well not be making a commitment for one year but a long-term commitment if you are talking about doubling certain kinds of education or making a major commitment on training. You can still come back and say, "Okay, I am

going to fund that eventually," or "I am going to fund now." That is in some sense the question you are going to be making on your choice of deficit financing at this particular juncture, and presumably that is going to be done on the basis of some view of the macro economy or, in this case, the overall provincial economy and what you think you can do to help that along.

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Mr Kwinter: In your remarks you felt there was probably a discretionary amount of about \$2 billion in the budget. Everything else was in there because of the system.

Mr McCracken: Yes.

Mr Kwinter: In other remarks you made right after the budget was announced you felt that maybe they had not had a big enough deficit and should probably be spending more money. Where would you see those more eyes being spent and at what level?

Mr McCracken: I appreciate the problem and how much more is always an issue. Certainly some more on the infrastructure side is warranted. One certainly comes away with a sense that the roads and bridges are ongoing requirements. There have been some identified shortfalls in the roads and highways system of Canada and a good number of that is in Ontario. A number of studies have been made identifying specific improvements that in fact could be made there. Those are the kinds of things where you have done some thinking ahead, you have the opportunity to move, and whether you build Highway 416 in 2000 versus 1995 or 1993 or 1992 seems to me an element of flexibility. That would certainly be an area where more could be done.

In terms of pump priming, I guess a signal which might have been a useful one—and again this was a bit contentious, no doubt, but it would not have disturbed me—is to see a 1%-2% reduction in the retail sales tax put in place for a year, or for the balance of the year, as a message to have some confidence, get out there and spend. We both know, of course, that others had thought of the idea earlier and had suggested it and perhaps poisoned the well for a time, although perhaps there will be an opportunity—let's hope not—to do that later. That would have been a pure Keynesian stimulus to the system. It would have been a straightforward move but it would certainly have helped the sector which is under a lot of strain and would have gone some distance—although it would have been better if the timing had been 1 January—to sterilize the inflationary impact of the GST, a one-time inflationary shock by offsetting it with a one-time deflationary shock. Perhaps it would have kept the kind of damage that appears to have been done to consumer confidence in the first few months of 1991 from occurring, at least in Ontario. Again, even Ontario being large enough, it would have softened the blow for all of Canada and been a plus in that regard.

There are a couple of areas where I think we could have spent another \$1 billion at the margin that would have had some appropriate shocks and had the advantage of either bringing forward in time expenditures that will be required in any case, fitting the notion then that if you

build the roads today you will not build them again tomorrow, or in the case of the retail sales tax change being reversible at some future date when the economic situation has changed; that would again fit with the notion of not making these things long-term, everlasting commitments.

Mr Kwinter: How much time do I have?

The Chair: You have about one minute.

Mr McCracken: I will be very brief on my response as well.

Mr Kwinter: I do not know if I can be very brief on my question; that is the problem. The concern I have is that I got the feeling the people at Treasury felt they were playing politician, or maybe the politicians were telling them to play politician. I got the feeling that as bad as the budget was going to be perceived, \$10 billion was the magic number, that you did not dare go over 10 and kept it just under 10. It seems to me it was sort of artificially contrived, that if they truly wanted to deal with the problem they could have really expanded that number, and if they were not going to deal with it then they could have put it back. It was just a matter of coming up with a number that they felt, as bad as it was going to be, would be a number they could live with. Do you have any comment on that?

Mr McCracken: We sometimes get hung up on numbers and put magic numbers—\$30 billion as the federal number at one stage; 66% approval rating in another environment; 10% unemployment rates—as being the triggers. There is not a lot of difference, in fact there is exactly \$1 billion difference, between \$9 billion and \$10 billion and \$10 billion and \$11 billion, but there may have been some desire on that. You will have to explore with them in greater depth. Certainly I think the Bay Street signal was that \$10 billion was a tolerable number. I guess they later reversed themselves, although perhaps it is just the fact that somehow they thought you could have \$10 billion in one year and nothing in the out years that created their desire to march on the hill here.

I think, if anything, we are going to see those out years come down a bit and I think this year \$9.7 billion may prove to have been a bit of a high estimate. It is still too early to tell, but there are at least finally a couple of little signals out there that suggest the US may be beginning to turn around and that we here may be starting to turn around. If that is the case, then I think the 3% decline that is projected in Ontario's gross domestic product for 1991, with a little luck, could be a little less than that. That will show up right on the revenue side and with some cuts on the expenditure side. We will see how it works out.

But \$10 billion is a good starting point. If it had been \$11 billion or \$12 billion, maybe they would have been more tolerant of my suggestions to go to hell and go to \$14 billion once you have got into double digits, and maybe I would not have been so critical of them for not doing enough.

Mr Stockwell: A question from your beginning statement: You said the GDP in Ontario declined in 1990.

Mr McCracken: In real terms it is my suspicion that it has. This is not a fact we can check because real GDP for

Ontario, the way I read it, GDP at factored cost, is not officially published. We get some other rough numbers about two or three years behind the times, but our estimate is minus one and I think the Treasurer's was about zero.

Mr Stockwell: This fact that you put out is really a suspicion.

Mr McCracken: It is our estimate based on what historical information is available. It is certainly confirmed by the growth of the unemployment rate, which is a measured number.

Mr Stockwell: You made a number of comments regarding the out years. You still did not tell me exactly how you are going to pay back this \$35-billion debt that has been incurred. In your case it would have been considerably higher if they had done what you suggested. Clearly you cannot keep absorbing deficit after deficit after deficit and not feel it.

Constantly, when I hear comments such as the ones you have been making, they totally avoid the payback periods. When is the payback period and how do you pay it back when you have all these needs you have begun servicing?

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Mr McCracken: Most businesses and certainly many individuals find that they are never out of debt in their lifetime. They can pick up a mortgage at a young age on a house. They live in it for five years, move to another house and roll that mortgage over. They probably have a larger mortgage on the new house. This process continues in many cases for their entire lifetime, or at least up until some point when they retire, sell the house and walk away, paying down the debt at that stage.

Mr Stockwell: Do you believe that happens to most people?

Mr McCracken: I would say that would not be an unusual characteristic, that in a life cycle of an individual, debt would rise up through their 40s and 50s and they may begin to pay it down subsequently. If you look at that, the key issue a banker asks is not just what that debt is, but what is that debt relative to their capacity to service it? What does their income look like?

I think it is at that stage one begins to look at debt-income ratios and for items with perpetual life, where the life cycle model does not follow, ie, governments, or corporations for that matter, one looks at what is that situation, what is that debt ratio? On that basis, the province did make a lot of progress in the last 10 years. The debt ratio, at least as in the budget, was some 17% or 18% back in 1982-83. It was down to 14.4% in 1989-90. That period of prosperity did lead to a lowering of the debt ratio. In this particular budget the plan, in the middle of a deep recession, is that it goes up to something like 18.3% as a percentage of GDP.

Mr Stockwell: You are just simply sucking more taxes out of the system to get your debt ratio down, because your debt is continuing to rise. Under your scenario it is going to more than double in four years. Therefore, you have to suck more money out of—

Mr McCracken: We will see, because I think GDP will in fact start rising rather than declining.

Mr Stockwell: You think the GDP is going to rise greater than what they have suggested, inflation and GDP, nearly 7%?

Mr McCracken: Oh, yes.

Mr Stockwell: But they are still 4% short every year, so they have to increase taxes by at least another four points every single year.

Mr McCracken: Not increase tax rates; what you have to have is your revenue go up. Certainly in a period in which the economy is growing, you will have a revenue improvement.

Mr Stockwell: You are wrong. That is assumed in the nearly 7% they have built into their budget. Assuming economic growth and inflation, they are still 4% short or they need \$8 billion in new dollars in taxes over the next four years to maintain a \$35-billion debt.

Mr McCracken: A \$35-billion debt, but not a debt ratio of 18%. The denominator will be growing in current dollars on the order of, I would say, something in the 6%, 7%, 8% or 9% range, so if you did nothing and kept your deficit constant, then your deficit as a share of GDP would be falling. If you kept your debt growing by roughly 15% of the GDP, you would again find your debt ratio not changing.

Mr Stockwell: But according to their numbers, their ratio of debt, or the amount of money they are going to take out of the system to service their expenditures and deficit, is going to be over 16%. Accordingly, back in the early 1980s, it was 14%. So they are sucking more money out of the system. They are increasing their deficit, doubling their debt in four years—

Mr McCracken: Their deficit is down, I think, in the out years, at least in the forecasts I have seen here.

Mr Stockwell: Okay, \$1 billion less, but—

Mr McCracken: That is, at least in my view, a fairly low growth rate in real terms for the Ontario economy.

Mr Stockwell: So you think the growth rate is going to be greater than 3.7%?

Mr McCracken: I think in the recovery period, if this recovery is—

Mr B. Ward: On a point of order, Mr Chair: I do not mean to interrupt, but should the discussion not go through the Chair?

Mr Stockwell: Through you, Mr Chairman, do you think it is going to be greater than 3.7%?

Mr McCracken: Yes, I think so.

Mr Stockwell: How much?

Mr McCracken: It depends which year you are interested in.

Mr Stockwell: Any year.

Mr McCracken: Any recovery, I would say, 5% per year in 1992, 1993, 1994 would not be outlandish. That would not be atypical. In the last economic cycle, real

economic activity grew much more rapidly than that in the first three years after the recession.

Mr Stockwell: The most prosperous times this province has ever known.

Mr McCracken: Why should you not have it again?

Mr Stockwell: You cannot see any reason why you would not have those kinds of prosperous times again? You cannot see anything?

Mr McCracken: We still have an auto industry. We have one with 50% more capacity than we had then. We still have the smarts.

Mr Stockwell: You do not see the exodus of business?

Mr McCracken: No.

Mr Stockwell: You do not?

Mr McCracken: I think no. I think if he is getting one call a day—

Mr Stockwell: That is one business. That is one company.

Mr McCracken: No, I think that is not your problem. The problem is that we have about 15,000 businesses going under in this country. About 5,000 of those will be in Ontario this year because of bankruptcy, because of poor economic conditions. I would be much more concerned about that number than I would be by those who are making noises about moving.

Mr Stockwell: The other point I would like to ask that you do not really think it is that important then to worry about retiring the deficit that you have incurred.

Mr McCracken: No, I do not think so. I think you can grow out of it.

Mr Stockwell: Do you not think you eventually end up like the federal government, having so much debt, \$400 billion, that you cannot manage it?

Mr McCracken: They are managing it. What is the problem from their viewpoint?

Mr Stockwell: You think they are an economically—

Mr McCracken: They are running a \$30-billion deficit and you are worried about \$10 billion.

Mr Stockwell: It is \$400 billion in debt; \$30-billion deficit. You think that is being managed today? You think that is a healthy—

Mr McCracken: I do not think it is healthy, but I think the efforts to—

Mr Stockwell: If it is not healthy, why—

Mr McCracken: I would not pay it down by \$5 billion at this juncture.

Mr Stockwell: If it is not healthy, then why would you recommend we follow that model?

Mr McCracken: I am not recommending you follow that model. You are not in the same situation they are. The health of their particular deficit, or the debt if you will, is a symptom of the situation we are in.

Mr Stockwell: But by incurring more debt, to the tune that you are suggesting, would only lead to a situation where you would be in the same position of deficit financing and having so much debt and spending so much to service it that you would not have money to spend on the

ngs government should be spending it on. In fact, by commending your approach, it seems the only end to it would be to be in the exact same position the federal government is in.

Mr McCracken: Let me suggest the alternative to you. The alternative at this particular point to the federal government, and for that matter the provincial government, increasing its debt is to impose, through higher taxes and lower expenditures, burdens on corporations, unincorporated businesses and individuals in this country. They will discharge that additional burden you place on them now? They will in many cases do so by themselves picking up additional debt.

If you think it is better to push the burden on to people and on to corporations in a period of economic conditions like this, I do not. I think in terms of capacity to take on debt at this particular juncture, the federal and provincial governments are relatively well-suited. We would all love to have a situation where that was not necessary, but debt ratios, you heard earlier, are high and have been growing. In Canada at the moment they are very high for the corporate sector and they are very high for the individual sector. So we really want to go in and raise those and cut their incomes and make their debt ratios go up so that we can look a little better at this juncture? I do not think so.

Mr Stockwell: The question, though, is the out years. Maybe you can make that argument during the recessionary times, and some people would buy into it. I do not buy into \$10 billion, but some people may buy into it. But the question was the out years. Obviously there is not a recession. You have to retire the deficit. If you do not retire the deficit in those out years, when do you retire the deficit?

Mr McCracken: I think there may well be opportunities to do something in the out years. Understand that the forecast, at least as I read it, in this particular document is that we would call—this is the implications of current policies continued out over the next four years with a view of how the economy is going to unfold. That does not mean that in subsequent budgets, if the conditions are different than they have indicated here, they cannot move to reduce deficits or to make other adjustments to policy.

Mr Stockwell: With all due respect, you have reduced the deficit position of this government, or recommended here, by roughly \$1 billion dollars over the next four years. They are going to incur \$35 billion of new debt. You are suggesting—and those are not recessionary times—through economic reconfiguration, or reforecasting, they can go from an \$8-billion deficit to some surplus position so they can retire the debt that they incurred this year.

Mr McCracken: I did not say they would be in a surplus position at the end of the four years, nor did I say they would necessarily make that choice. Keep in mind that you have trashed the economy, or it has been trashed, in 1990 and 1991. The gap has opened up between where we want to be and where we are today by a fairly large magnitude. If you take 3% as an approximate number for what the economy should do in terms of growth to stand still, in 1990, whether it be minus one, zero or 0.5, you essentially opened up a 3% gap. This year it looks like you

will open up a 6% gap. That is roughly a 9% or 10% gap that we have in output from where we should be.

If we close that gap over the next four years, then we may well be in a position to run a surplus. That would imply a growth of about 2.5 points above 3%, or roughly 5.5% real growth per year for four years in a row. If the gap were closed at the end of that four years, I suggest to you that the revenue position of this government and the expenditure reductions possible in that environment would give it much more flexibility on its deficits than what you see in these forecasts.

I think, on the other hand, that they are not inappropriate in saying: "We don't know if that's going to happen. Here is a shot at what they may be." I would rather have them be, in that sense, balanced rather than coming with a hard program of a recovery twofold potential over the next four years, particularly in an environment where they do not control the pace of that entirely. This is not just a provincial government challenge to get the economy back to full employment.

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Mr Stockwell: Just a quick comment. With all due respect, unless there are major changes to this budget policy this government has put forward, if you honestly believe it is going to be in a surplus position in four years that is nothing but a pipe dream.

Mr Hansen: I have to say, Mr McCracken, I viewed your comments before in February in the standing committee on finance and economic affairs, and a lot of your predictions are coming that way. If Mr Stockwell does not agree, I think I still have to sort of—

Mr Stockwell: Like no tax increase, eh, Ronnie?

Mr Hansen: There is one thing I like, a very simple one, and I think we have not got the message out or we have not asked the right question. How did this particular budget influence you personally this year and the next four years, plus how did it influence your business this year and the next four years, taking that I know your company does not smoke and your company does not drink? Personally you could possibly do that, but maybe the 1.7 cents gas tax would affect you personally and would affect your business also. Could you comment on how you take a look at it personally and company-wise in the next four years?

Mr McCracken: I must say that as a company operating in Ontario we have not seen many measures in this particular budget that influence us one way or the other. By and large it has left us unaffected. We already feel we operate under the principles of pay and employment equity, so we did not see any new incursions in our management requirements in that area.

We were somewhat concerned about the impacts that may be there from additional requirements imposed on boards of directors, but many of these obligations, of course, exist today on boards of directors. It is not clear to us that that is the end of the world. Of course, again there have been some changes in that area that certainly seem not unreasonable, as well as some changes at the federal level.

By and large we see little effect on our operating. What positive effect there may be is simply going to be one in which there is a little bit more optimism. If we were in the consumer business in Ontario I think we would be very pleased to see something that might get the consumer moving in this province relative to some of the others.

In our rack-up of the provincial budgets, certainly one signal that comes through is that in Ontario there is at least a move towards stimulus, which is unusual among the other regions. The only regions we found that did not move to impose additional restraint on the economy were the Yukon and Northwest Territories, quasi-federal jurisdictions. So in that sense we were positive and happy to see it at this particular juncture.

Mr Hansen: I have another question. Mr Whitestone had stated that with the increase in wages we have seen the elevator operator disappear. I, at a point, say that this has to do with research and development the government has put into companies to come up with more efficient equipment and ways of operating. So sometimes when we wind up as a government putting money into research and development what we do is find out that some of the lower-paid jobs disappear and become technical jobs where it takes someone from Otis to come in and repair this elevator where you just press the button.

I worked in the auto industry, and I believe in 1950 it cost \$400 to assemble a car. In 1966 it came down to \$159 but wages increased all the way along so the technical part changed. It became more automated.

My feeling is that we talk about wages and that to become more competitive we keep cutting wages, but I think we do put money into research and development and that we actually expand in Canada with a more high-technology workforce. Do you agree on that?

Mr McCracken: Certainly our objective in Canada is not to employ more people at low wages. I am not interested in being part of a country that feels it should aspire to become Mexico, Taiwan or China. If we, however, want to have high incomes and high wages, the key to that is high productivity, and the key to high productivity is working smarter with a good education, good human capital, and modern equipment. That is what we look for in our employment. The notion that somehow someone machiavellian is looking around trying to figure out how to get rid of elevator operators is a bit strange.

I still recall the story of Bell in the United States in the 1940s and early 1950s. Recognizing that with the growth that was occurring already in the phone system they would within about a 10-year period have to employ every woman between the ages of 16 and 65 as a telephone operator, they concluded it might not be the best strategy. It certainly caused them to put lots of investment into finding things like a dial telephone. It also, of course, meant that the growth was much more rapid than they anticipated because that technology allowed the price of it to decline both in absolute and relative terms.

Are we better or worse off as a result of that? I would suggest to you that we are a lot better off. We have not required a less productive way of communicating. We

have substituted a more productive way. We have freed resources that can be employed in a better fashion in other parts of our system.

So that is what it is all about. It is not that we should be sorry to see the elevator operators go. We ought to take some joy in that. The only job left, I guess, with its ups and downs is politics.

Mr Hansen: It depends on what floor you are getting off at.

Mr Sutherland: We have heard a lot about a lack of business confidence in the economy and the budget as a signal of giving less confidence for them to remain here, and as a result of free trade and other things their ability to move funds and assets a little more easily to other locations. I would like to know what your opinion is about large business and small business in terms of having confidence in the economy and how you would advise the government to (a) either counter that lack of confidence or (b) instill the confidence.

Mr McCracken: Business confidence is fairly ephemeral. It is also poorly measured, incidentally. The numbers came out in early May, but they were indicated for late March and early April of two surveys on business confidence, one by the Conference Board of Canada and one by Statistics Canada, done within a few weeks of each other.

One came out and said, "Business confidence is still bad, worse, declining." The other one said, "Business confidence up; things are rosy." These happened to hit my desk roughly the same day, so I tried to figure it out. I said, "What's going on here?" It turns out that the one that was up and rosy tended to be of some larger companies, a fairly small number of them—about 100. They were given a rather general question like, "Do you think things will be better in the next six months than in the last six months?" The one that was down was over 1,000 firms that had been sampled, and the issue was, were they going to be producing more in the next three months than in the last three months. They were pessimistic on that, particularly when you adjusted for the seasonal patterns that exist, which was done in that second case.

The signals are mixed. But even if we had a consistent signal, there is a question mark about one's capacity to manipulate business confidence by government action, and in particular whether one can go out and say nice things or do nice things in a way that will result in some surge in confidence.

In both the consumer and business case we have found a fairly high correlation between the economic performance that is actually taking place out there and confidence. To the extent that the budget results in the Ontario economy doing better than it otherwise would, you will see some effect on business confidence in a positive way and on consumer confidence. If, on the other hand, other governments or world circumstances continue to push us down, then, hey, business confidence is not going to respond.

Just a final comment. The business confidence is not a hard number. It is not like the bottom line in the corporate profits sense. What you are interested in is what they do

the investment side in particular. We are going to get a reading of that which is taking place right now. It will be reported probably in July. That will be our first reading in last December on investment intentions.

I would look to that to get a guide at least for what business is thinking. It will give you some sense of what they were saying they were going to do in 1991, and now there is a second kick at the can they are given. Let's keep our eye on that. That is really what matters in some sense.

The Chair: I am afraid we will have to draw this to a conclusion because the bells are ringing and I know some members would like to go to the House to vote.

Mr McCracken: Do you have Ron Hawkins out front as well, Jim, or is that over now?

The Chair: I would like to thank you again for coming and sharing with us your experiences and your knowledge. I guess we will probably see you in the future as well.

Mr McCracken: My pleasure.

The Chair: This committee is adjourned until 3:45 this afternoon.

The committee recessed at 1203.

AFTERNOON SITTING

The committee resumed at 1637.

The Chair: I am at the will of the committee as to whether to begin or not, although we do not yet have a quorum. As we all know, the proceedings in the House are rather unusual this afternoon and all the members of the committee are not yet present.

Mr B. Ward: Why don't we get started and perhaps more committee members will attend.

CANADIAN CENTRE FOR POLICY ALTERNATIVES

The Chair: Perhaps we can start with Mr Cameron rather than delay him any further. Mr Cameron, will you be brief or will you be quite lengthy in your presentation?

Mr Cameron: I can be either brief or lengthy, depending upon your desire.

The Chair: I think we should hear from Mr Cameron, and if we find it necessary, then perhaps he could attend again on another date to give his presentation to the full committee.

Mr Cameron: My name is Duncan Cameron and I am the president of the Canadian Centre for Policy Alternatives, which is based in Ottawa. I am proud to say we are the only economic research group in Canada that does not receive its core funding from either business or government. We are very clearly in a sector which we call the popular sector. We work largely with volunteers and have a budget of about \$200,000 a year.

I am also a professor of political science at the University of Ottawa, an institution which I think the people of Ontario can be justly proud of for its bilingual character. Of course, I would be pleased to answer any questions in French.

It is always an honour to appear before a parliamentary or a legislative committee. This is the first time I have had the honour of appearing in Ontario and I would just like to say that for me there is no greater honour, really, than being asked to give my views to the elected representatives.

I want to make some brief comments which would touch on three subjects: the budget process, which I think is a very important one; the economic impact of the budget; and the financial impact of the budget. I have a few provocative comments to make in conclusion.

I began my career in the Department of Finance in Ottawa. It occurred to me when I arrived, and there were only about 90 officials, that the people who prepared the budget had a very great responsibility. They had to, in a sense, decide on the level of taxation and decide on the level of spending. It seemed like it was much more responsibility than I, for instance, would have wanted to assume. But as I gained a bit of experience, it became clear to me that in fact there was a set of tax laws in place and that money did go in and continue to come in, regardless of what you said in the budget, and that money did continue to go out under statutory regulations, regardless of what the spending intentions of the government were.

I think there is a sense in which what we are seeing in the budget process in Ontario is that the automatic stabilizers

put in place by previous governments have kicked in, the Ontario government is facing the recession of the Ontario economy and that as a result of that the welfare expenditures have gone up and the unemployment insurance expenditures have gone up and all of the automatic stabilizers at the federal and provincial levels have begun to increase. The decision the Treasurer made in his budget was simply one to allow that process to occur; in other words, to not attempt to reduce expenditures, to lay off people, to cut back on programs.

The budget process in this case I would describe largely as one that is passive. That is to say, it is going with the natural trend of the economy, which is down, and allowing the programs that have been built in to compensate for that to go up. I simply say I applaud the Treasurer for keeping his sang-froid, not panicking in the face of the deficit number. This is a time for moderation and this is a moderate budget and I think the Treasurer acted moderately.

In that process, there was either—I suppose there are two ways of interpreting it—\$1.5 billion or \$670 million in additional spending, which I think was certainly called for at this time, given the extent of the recession. I think many people who look at this budget would in fact argue that if the government has erred in one direction, it is not spending more, it is in not going beyond the \$10-billion mark. Economically, any additional expenditure would have been welcome in the economy.

With respect to the budget process, I certainly want to applaud the distinction that is now being made between capital expenditures and operating expenditures. I think this is an incredibly important distinction and I think the media should begin to talk about a \$5-billion deficit in terms of the operating deficit of the government.

When economists measure deficits and surpluses they have a number of different measures they can use. We have what we call the primary balance, the basic balance. If you look at the federal government, for instance, it has a primary balance of about \$13 billion in surplus. That is to say, it is taking in, in revenues \$13 billion more than it is spending. In Ontario we have a primary deficit because the amount of interest charges is less than the overall deficit of \$10 billion. But there are a number of different ways of calculating the deficit. You can look at the national accounts basis. It is another way of getting the economic impact of the deficit.

So when people begin to fix on the figure of \$9 billion and play with this and start to describe this as being the state of the finances of Ontario, they are really simplifying what is a much more complicated matter than people are often led to believe. The distinction between operating expenditures and capital expenditures is crucial and this is something I certainly welcome in the process.

I would like now to turn to the economic impact of the budget itself. The Treasurer of Ontario, the Prime Minister and the Finance Minister of Canada, anybody looking at the economic situation in our province or in the country really has one call to make: Is the economy going up or

there strength in the economy or is the economy going down and is there weakness in the economy? The Treasurer made a call that the economy had suffered greatly and was likely to continue to suffer. I do not think there is any other call that could be made.

The depth and extent of the recession is perhaps simply not widely appreciated outside Ontario. To me the significant figure is that between February 1990 and February 1991 there were job losses of about 264,000 in Ontario. That is a tremendous amount of waste. I think when you look at the economic impact of this budget you are going to say the economic impact is probably positive in the sense that it is going to maintain existing jobs and perhaps create additional jobs; the Treasurer is talking about 7,000. It would be absolutely foolish to think that anything other than expansion was the way to go. Only economic illiterates would argue the contrary.

To argue that the government should have been attempting to reduce its expenditures and reduce its stimulus to the economy is really to argue that at time of great need the government should immobilize resources when there are already many resources immobile in the economy. If you think of the rule of thumb that when the unemployment rate is reduced by 1% you get anywhere between 2% to 4% economic growth, to argue that the government should have reduced employment, as other provinces have done, by laying off and firing civil servants is to argue that you want the Ontario economy to contract further, you want its revenues to fall further and you want its automatic stabilizer expenditures on welfare and so on to go up. There is simply no economic argument for anything but stimulus in the current situation. It is very important that this message be well understood.

With regard to the economic impact, if we look at the economy and we ask what can we expect from the economy as a result of this budget, what we have to say to ourselves is that there are only a certain number of limited sources of economic growth.

The first is exports. I have been to the United States recently. I met with some of the leading American economists and none of them I spoke to believed there is going to be an upsurge in demand in the United States for steel or for automobiles from Ontario. The people with whom I spoke believe the American recovery will occur, and it may in fact be already occurring at 1 July, but it will be very weak and very transitory. So for Ontario to wait for exports, particularly with the dollar where it is, would have been a big mistake.

The second source of economic growth is of course consumer spending. While we have had a decline in interest rates of about five percentage points in nominal terms and there has been some return of consumers to the housing market and indeed to the automobile market, in times of falling interest rates consumers tend to attempt to pay down debt. They do not necessarily go out and begin to spend. I have not seen any indication that there is a surge of consumer spending, so I think it would have been a mistake for the Ontario government to try to rely on consumer spending.

What about business investment? It is a very clear rule of thumb that if consumers are not spending, businesses do not invest. If you look at the capacity utilization rates in the various industrial sectors which are important to Ontario, you do not see high levels of capacity utilization, so most businesses can produce more without investing more. I do not think we could have relied on private investment, which leaves us with only really two sources of economic growth—government spending and government investment.

I have been dismayed by the federal government policy of privatizing crown corporations and taking away major instruments of capital investment and control over capital investment. I argue strongly that there should be a much greater emphasis made on capital investment in Canada as a whole. Ontario, as one of the wealthier provinces—the wealthiest province—with the strongest credit rating should of course take the lead in that. I am pleased to see there is significant capital investment planned.

1650

By and large, without the economic impact of the Ontario budget, not only would the Ontario economy be much worse off in six months or a year, but indeed the entire Canadian economy would be worse off. The economic impact of this cannot be anything but positive. Let's hope the economic outlook in six months is better than it is now.

I would like to talk about what has really been the focus of much of the opposition to this budget, which is of course its financial impact.

Ontario has an important debt load if you consider the debt structure of Ontario Hydro to be part of government finances, which I do not. I take Ontario Hydro to be a stand-alone operation, with an autonomous board of directors, which borrows for capital investment but in fact is able to retire that through its operations, largely through its commercial market practices.

If you consider only the debt of the government of Ontario, it is virtually debt free. This is an incredible situation. Think for a minute of the assets of the government of Ontario. If we began to list the value of all the provincial parks, all the roads, all the schools, all the hospitals, all the items the Ontario government has in fact created and which are there and from which we benefit every day—if we listed those assets and then we put against it the debts, the Ontario taxpayers would be a net owner of a tremendous amount of assets.

I suggest to this committee it might be useful to attempt to establish a list of assets of the government of Ontario against which it undertakes future borrowings.

The significant figure for financial markets when they assess the debt of a government is what is the percentage of current expenditures which is going to retire existing debt. The forecast in Ontario is that Ontario would be paying 11 cents to 13 cents on every dollar in debt serving costs which, as was pointed out by no less an authority than the C. D. Howe Institute this week, is the lowest of any of the provinces in Canada. So Ontario is best placed of any of the provinces to undertake to do debt financing.

The interesting thing I find is that if you were to read the Globe and Mail or the Financial Post, or listen to the

CBC national news or read any of the major media, you would hear there has been tremendous opposition on Bay Street to the NDP budget because it is a deficit budget. I bet if you were to go into the offices of Wood Gundy, ScotiaMcLeod Inc or any of the major investment dealers, they would be sitting around figuring out how they can get their hands on some of this Ontario government debt so they can sell it to their customers.

If we think of public debt issues in Ontario as a result of this budget to be in the \$5-billion to \$6-billion range going into private hands, and we think of the average charge or service fee charged by the investment bank community, they are looking at 0.5% of that in new business. So I think the biggest winner out of this budget is probably the Bay Street financial community.

The other winners are going to be the people who buy this debt and hold it because it is very solid, it is very secure, it is going to be easily marketable and it is going to bear a reasonable rate of return. So from the point of view of financial instruments, the government of Ontario bonds are going to be very attractive. They are very easy to sell and they will stimulate activity on Bay Street to a great degree.

I have heard it said that the real problem with the Ontario budget is not so much that there is a deficit; it is that the deficit is going to further contract the short supply of available funds out there and this will inevitably push up interest rates. Because of higher interest rates, this is going to either push up inflation or it is going to further impede our economic recovery.

I would just like to state on the record that this is total nonsense. The level of interest rates in this country are primarily set by the monetary policy of the Bank of Canada acting at its treasury auction on Thursdays, where it sends a signal to the market, and through its practice of moving deposits in and out of the banking system.

Any money market trader knows the Bank of Canada is the price leader in an oligopoly pricing system. It sets the interest rates. If you believe in the demand-and-supply theory of credit, as opposed to the price leader theory of credit, I think you just have to look at the fact that credit has been contracting so fast that the money supply in Canada was in negative growth last year. There is a lot of ability to raise money without having any impact at all on interest rates. This argument is simply a spurious argument.

What I conclude, then, is that the Ontario budget will have no impact on existing interest rates; it will provide some stimulus to the financial sector of the economy, and it will provide a safe haven for the savings of Ontario citizens by providing them with a fair rate of return on financial resources. The deficit figure being bandied about is some kind of notion of debt which we are carrying around on our shoulders, and is simply misplaced unless it is set against the assets that exist in Ontario which are, in a virtually debt-free province, a major benefit.

In conclusion, I would like to deal with some of the criticisms that have been made of the budget and to try to deal with the question why we have had so much opposition to this budget. To a certain extent, of course, opposition to any government policy is part of our political

process. This room is structured to allow for debate between the government and opposition so that the issues are aired, the people hear both sides of the story and they are allowed, in a democracy, to make up their own minds. So there is much criticism that is naturally of a partisan nature.

There is a more severe issue at play here. It really has two parts. I do not believe there is a general view in the business community in Ontario as to how to deal with the NDP government. There is not a single voice of business in Ontario as there is, for instance, in Canada in the Business Council on National Issues. There is a sense in which the business community has decided to attempt to limit the activities of the NDP government by a campaign of intimidation. That is something the government will have to deal with as part of our political life. I suppose, to some extent, it is fair ball, and people just have to deal with it.

But there is another type of opposition that has emerged, which has been generated from Ottawa, where it lives, by the federal government and which, I think, is more dangerous and deserves more public airing than it has received at present. There is a view put out that the government of Canada's attempts to manage the economy have been thwarted not just by the NDP budget this time, but by the Peterson government that preceded it, and that the people of southern Ontario, in some sense, have been working against the interests of the rest of the nation by the government's refusing to go along with the direction that was set by the federal government.

I think we saw in the last election an attempt to discredit the government of Ontario around the free trade issue. We are seeing, in this period, an attempt by the Prime Minister himself to discredit the Premier of Ontario in the context of the constitutional negotiations. It is very clear to me that if there is to be a constitutional settlement, Ontario has to be a part of it and Ontario, in some sense, has a veto over those constitutional negotiations. I think there is a general attempt fostered in Ottawa to try to discredit the NDP government so that it will not act independently in the constitutional negotiations, so that it will feel it is beleaguered, under attack and cannot take a position of strength within those negotiations.

1700

I just throw that out for your consideration, because when we look at economics and we look at the Ontario economy and the misery and hardship that has been created by the policies of the federal government through misguided monetary policy: interest rates 5% to 6% short-term above the United States because of manipulation by the Bank of Canada; through the introduction of a regressive sales tax, the goods and services tax, at a time when we were going into a recession, against the advice and counsel of the majority of Canadians to proceed with the tax; through the decision to proceed with the free trade agreement, which has produced an even greater calamity than those of us who anticipated calamity would have expected. To be in this situation by putting forward a series of economic policies which have not only created a recession in Canada but have made it more difficult to get out of a recession, to do this in the face of all good economic

soning, to me says that the government can only do this because of widespread economic illiteracy.

The real task facing the government on budgetary matters is to be able to explain to people, without having to go through the intermediaries of the press, who are likely to be hostile, and the media, who are likely to be unsympathetic, to be able to explain directly to the population what the issues at stake are.

In the 1930s we tried the policies of restraint in the midst of economic decline and they did not work. Something was adapted which was called in the United States the Roosevelt revolution. The Roosevelt revolution was followed in the United States by something called the Reagan revolution, and the Reagan revolution is neo-conservative policies. They have been tried in Canada and they failed, and they should be rejected. I guess what I and other citizens are looking for is something we might call the Rae renewal.

I would hope that this budget would lead to economic renewal by its major stimulus, but I would also hope that the Ontario government would be working to put in place economic levers which would allow it, first of all, to deal with the economic restructuring that is taking place.

This province desperately needs an industrial renewal board which hears a public statement from every company that wishes to close down about why it is doing so, which does an audit of the environmental damage that company may or may not have done, and which allows for other interested parties to comment on the reasons why the company is closing down.

I think as well that the Ontario government needs a public sector investment bank so that it can go into towns. We see in our economy today—and the Canadian economy is basically 600 single-industry communities or towns—situations all too frequently, in southern Ontario particularly but also in northern Ontario, where a single employer closes down. In order to protect the interests of the private shareholders in that company, a financial decision is made to close it down, and the consequences are that the roads, the hospitals, the schools, and the personal property of all the people who live in that community are adversely affected. The social costs far outweigh any of the financial benefits to the shareholders of that company.

Without some kind of public-sector investment banking facility which is publicly owned and can go in and make deals to renew economic activity, to bring together municipalities, unions, the provincial government and the Ontario Development Corp, to make interest-free loans of an equity nature to new ventures, it is going to be very difficult to deal with this kind of economic situation.

Finally I would just like to say that if this renewal is going to happen we need the type of fiscal policies that we have seen in this budget. We are going to need an economic lever like a public-sector investment bank and we are going to need a public debate about plant closures, but we are also going to need an overall look at the pension funds and the whole range of social investments that have been made in the province.

This committee in particular will certainly have its hands full in investigating this sort of question, but there

are a number of different financial instruments which are in the public sector and in Ontario. In the past the government has benefited, for instance, from being able to borrow directly from the Ontario teachers' pension funds. I understand changes to the legislation have been made so that it can no longer do that.

The issues of pension fund investments and protecting the interests of those who will eventually benefit from those pensions, but also protecting the interests of the entire province of Ontario, are going to be important issues in the next two or three years. I thank you very much for an opportunity to make my comments.

The Chair: Should we proceed with some questions from the government or—

Mr Christopherson: I would rather do the questions at the same time as the opposition so that it is all being dealt with at one shot, since I understand Mr Cameron has been good enough to try to make himself available when we are in Ottawa.

The Chair: All right. That sounds fair enough. Thank you for your comments, Mr Cameron.

Mr Cameron: It is a pleasure. I am also in Toronto on a regular basis so I would be pleased to appear in Toronto on another occasion as well. Thank you.

The Chair: Thanks very much. Perhaps we should also hear from Mr de Bever under the same set of circumstances. What is the will of the committee?

Mr Sutherland: I am a little more reluctant to do that since it was the official opposition party that had put forward this witness. I think I would be a little more hesitant in terms of how we should approach this one. I do understand that Mr de Bever lives here in Toronto and therefore his accessibility to the committee may be a little easier than Mr Cameron's, although we now find out he does come here on a regular basis. I would be reluctant to move forward, on the basis that he is their presenter.

The Chair: Perhaps I should explain, Mr de Bever, what is happening here. We have an unusual set of circumstances taking place in the House which has caused the three members of the Liberal Party to be present in the House for what will unfold in the next little while. They have chosen to be there as opposed to being here.

The debate is really over whether we should go ahead and hear your presentation now with just the members of the government party being present or whether we should extend our apologies to you and invite you to come back at a future date. If you have any preferences on that, I think we would like to hear those.

Mr de Bever: I will be unavailable between the 7th and the 21st.

The Chair: Our first day of hearings will be 29 July. Perhaps we could put you on the list for that day. Is that the will of the committee members present?

Mr Christopherson: No problem.

The Chair: Again, I would like to apologize on behalf of the committee and do extend an invitation for you to return on the 29th. We have your written brief that I trust we can keep and peruse.

Mr de Bever: Sure.

The Chair: Okay. Thank you very much.

This last item of business is about the Ontario budget hearings advertisement. We have to send out some advertisements.

Interjections.

The Chair: We do not have a schedule.

Mr Sutherland: We do not have a finalized schedule because we are still finalizing a couple of locations for meeting, which I would like to have the subcommittee do very quickly.

Mr Jamison: What do you need for the advertising?

The Chair: Just a motion. There are two suggestions possibilities.

Mr Jamison: Why do we not empower the subcommittee to do that?

The Chair: All right.

Mr Christopherson: Mr Chair, will you ensure that as soon as the schedule is locked in it is sent out to all offices, preferably our constituency offices?

The Chair: Yes, as early as we can.

The committee adjourned at 1709.

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1991-92 budget

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Budget de 1991-92



Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 29 July 1991

The committee met at 1006 in room 230.

1991-92 BUDGET

Consideration of the 1991-92 provincial budget.

CANADIAN CENTRE FOR POLICY ALTERNATIVES

The Chair: I see a quorum here this morning and I would like to begin this morning's session. I would like to introduce Mr Mel Watkins, professor at the University of Toronto. The agreed-to procedure for this morning is that Mr Watkins will present, and then whatever time is left in the hour will be divided equally among the three parties for questioning. Welcome to the committee, Mr Watkins.

Mr Watkins: I am delighted to be able to accept the invitation to appear. Let me extend apologies from Duncan Cameron, who is not here with me this morning. He is unable to be here, but I am sure he can appear before your committee and would be delighted to do so when it comes to Ottawa.

I would like, if I might, to give you a statement this morning on the 1991-92 Ontario budget that has been designed by 59 economists from across Canada. It is being issued under the auspices of the Canadian Centre for Policy Alternatives. With your permission, I would just like to read this into the record, and then we would be delighted to try to answer any questions you might have.

As economists, we support the major elements of the recent Ontario budget and reject the view that the degree of fiscal stimulus is excessive or likely to create significant long-term economic problems.

Ontario Treasurer Floyd Laughren has rightly noted that he had a choice, to fight the deficit or to fight the recession. He made the correct choice.

It is difficult to exaggerate the scale and seriousness of the current Ontario recession. Driven by plant closures and major layoffs in the manufacturing sector and by a sharp downturn in the construction sector, total employment fell by 260,000 between February 1990 and February 1991, and the unemployment rate increased from 5.3% to 9.5% over that same period. We should just note that the present unemployment rate is 10.2%. By both measures, this recession is comparable to that of 1981-82. Output losses are expected to be only slightly less than those of 1981-82, even if the Ontario economy begins to grow from midyear.

I should again just add here that the forecast at best will be a weak recovery in the economy. There is even a front-page story in the weekend Financial Post, which on these matters must be believed, saying that economists now fear that this recovery is hollow and that there will be another downturn before we are into a stable recovery. That is based basically on what American economists are saying is possible in the US case. That could then affect us in Canada, obviously.

As a direct result of very significant job losses combined with recent changes to the federal unemployment insurance program, tens of thousands of Ontario residents have been forced to turn to social assistance programs. Case loads have approximately doubled in most major urban centres, including Metropolitan Toronto. Almost one quarter of the total budget expenditure increase for 1991-92 is for social assistance. The recession has had a more indirect impact in other areas of spending.

The recession has also seriously depressed budgetary revenues. Indeed, even after the modest tax increases imposed in the budget, total tax revenues will decline for the first time in the modern fiscal history of the province. That is a sign of how serious the downturn is.

The third major factor in the fiscal equation has been reduced growth of transfers from the federal government for established programs and Canada assistance plan payments. Federal transfers to Ontario in 1991-92 will be \$1.6 billion lower than previously committed. In effect, the federal government has shifted an important part of its deficit problem on to the provinces, with Ontario being forced to bear a particularly large share of the burden, despite being the province hardest hit by the current downturn.

Over half, some \$5 billion, of the \$9.7-billion Ontario deficit is due to these factors, namely, recession-driven changes in revenues and spending and reductions in federal transfers. Another \$3 billion of the deficit is due to increased spending to maintain the level of existing services, primarily health and education.

The truly discretionary expenditure increase in the Ontario budget is a modest \$1.5 billion. It is directed towards social assistance reform, a wage protection fund, pay equity adjustments, increased support for research and development and technological innovation, and other areas where commitments were made by the present government.

Those who insist that the Ontario government should have a much smaller deficit are calling for cuts in services, most importantly, health, education and social assistance programs, or for sharp increases in personal or corporate taxes. Most economists accept that significant tax increases in a recession and in the wake of major federal tax increases, particularly the GST, would have been counter-productive. The debate then is one over the desirability of spending cuts.

As individuals, we believe the Ontario government was right to maintain and even make modest improvements in services to people. We place value upon provision for the victims of recession and upon the maintenance of an adequate level of public services for our fellow citizens.

As economists, we note that the proposed alternative of spending cuts would have significantly cut employment and output at a time when the private sector is in a steep decline. Some macroeconomic models suggest that measures

to restrain the increase in the deficit to \$3 billion, that being where it was for the last fiscal year, would have cost the economy in excess of 70,000 jobs. All of the major models of the Canadian economy, including those of the Conference Board of Canada and Informetrica, show that restraint by the federal and most provincial governments will slow economic recovery. Spending cuts in areas such as education and public infrastructure would also have come at the cost of reduced potential for future growth. Public investment is one important element in productivity growth in the private sector.

In our view, the increase in the Ontario deficit is quite manageable. The deficit for 1991-92 is 3.4% of provincial gross domestic product or GDP, considerably smaller than recent federal government deficits, smaller than a recent Alberta government deficit in 1987, and smaller than a Conservative Saskatchewan government deficit in 1986. The deficit will decline in Ontario in absolute terms and even more as a share of provincial GDP after 1991-92. Most important, Ontario has a small accumulated public debt, so the cost of debt servicing is not expected to rise above 12% of revenues. Despite the recent downgrading, Ontario is able to borrow from capital markets on excellent terms and there is no good economic reason not to borrow to maintain important services under current conditions.

It has been argued by some economists that it is unwise to borrow since debt servicing costs will ultimately reduce the fiscal flexibility of the government, as has happened at the federal level. There is, to be sure, a limit to the extent to which debt should be assumed, but there is no reason to believe that the fiscal projections in the Ontario budget are seriously flawed. As growth resumes, revenues will increase and some elements of spending will fall, moving provincial finances gradually closer to balance.

It has also been argued that the increased government borrowing will delay private sector recovery by forcing up or slowing the fall of interest rates. Such concerns are unfounded, even for those who hold to the view that Canadian interest rates are determined by balances in domestic as opposed to international financial markets. Demands on credit markets by Canadian private borrowers—households and businesses—are currently low and personal saving rates are on the increase. Short-term interest rates have continued to decline since the Ontario budget was released, and it is in the capacity of the Bank of Canada to permit further declines, given the current level of US interest rates. These would allow the value of the Canadian dollar to fall, thus promoting the recovery of export industries.

It is important that the real issues at stake in the economic debate over the Ontario budget be clarified. In essence, the federal government has determined that the macroeconomic priority of the country should be to achieve a zero inflation objective through tight monetary and fiscal policy. The result has been an unnecessarily severe recession—the Conference Board of Canada, not a radical group, itself calls it a made-in-Canada recession—double-digit unemployment and the destruction of a significant part of our national productive capacity. We do not

believe that the future benefits of these policies will outweigh the high current costs.

The Ontario government has effectively determined, in part, to partially offset federal fiscal and monetary restraint through a looser fiscal policy than might otherwise have been contemplated. They have also embraced a view of the so-called competitiveness issue which stresses the importance of public investment and the need to maintain and improve social standards.

In this context, it is scarcely surprising that the federal government should have chosen to launch an almost unprecedented attack upon the budgetary policies of Ontario. But this attack, and the support for it voiced by some economists, should not be taken by the public as evidence that the Ontario budget is misguided in terms of economic principles. To the contrary, the Ontario approach is much to be preferred, and is the one that should be pursued in concert by both levels of government.

The Chair: Thank you, Mr Watkins. We have approximately 45 minutes left, which will allow each party 15 minutes for questioning.

Mr Jamison: I would like to thank you for your presentation. We have heard from various people that the recession basically is over. I would like your view on that and in what term you see the recovery, if in fact we do not double dip into another recession period.

Mr Watkins: We can hope that the recession is over but it is too soon to say. The data for the second quarter of the year and the whole suggest that we may have moved into a recovery phase. As I said already, there is now some concern being expressed by some economists that we may have had a kind of false start here. Certainly if we are in a recovery phase, it is a very weak recovery we are looking at. Much of the increase in employment that has been created in absolute terms, not in relative terms, is in fact in part-time jobs, and indeed a number of these jobs were actually created by the federal government for census-taking purposes, and that is a one-shot event. So we are not at all certain. In terms of unemployment, there is no reason to believe we are in anything but continuing serious trouble.

The recession we have here in Canada is unusual in the sense that it is one of the very few times we have had a recession start in Canada before it started in the United States. This is not something we should feel happy about. It means the federal government had such horrible macroeconomic policies that it actually managed to push our economy into a recession before the American economy was pushed into a recession. But the reason why this is such a serious downturn is that once the American economy itself went into a recession—which had nothing to do with us; it would have happened anyway—we were then dragged down further. The debate now about what kind of recovery we are going to have and when is basically that we are not yet certain that the American economy, which went into a recession later, has come out of it yet. If it has not come out and does not come out, it is very hard to see the Canadian economy staying out of a recession or having anything like a satisfactory recovery.

I think this point is actually very important in judging the budget, because one of the problems we have as economists is that the information we deal with is often dated before we get around to dealing with it. Even our so-called leading indicators are issued two months late. So one of the problems you have if you are managing fiscal policy is you say we should stimulate the economy, but how do I know by the time I bring these measures in the economy will not already be pulling into a recovery phase? That is a very real issue.

In this case, unfortunately that is not going to be a problem because we are not yet clearly out of this recession, and if we are out of it in a technical sense, we are not out of it in terms of unemployment, and if we are out of it even in a technical sense, it is going to be very slow. The case for fiscal stimulus of the modest nature that is found in this budget is a compelling case, and each day that goes by makes it a more compelling case.

020

The Chair: I am going to continue with the questioning of the government party, and then we will move to the liberals, who have indicated they would like to be next.

Ms M. Ward: Looking through your summary and listening to your comments, I think I could summarize it by saying it is a good budget for bad times, and that is what we have been hearing from other people also. I was just reading what the clerk gave us here this morning, some independent submissions and persons saying that as much as they do not like deficits, they see that the alternative at this time would have been much more devastating for Ontario. Would you agree with that summary, and would you like to expand on that?

Mr Watkins: I agree certainly in the sense that there is no virtue in deficits and there is no virtue in adding to debt burdens. As citizens or as those of us who are economists, we can all agree on that. The question is, what would the alternative be? What we are saying here, and others have said it, is that this government came into office and discovered there was already a deficit. We were already clearly in a significant recession.

If the government had chosen to just hold the deficit where it then was, which was in the order of \$3 billion for the last fiscal year, then the best kind of macroeconomic models available to any of us, including the Treasury, would be that about 70,000 more jobs would have been lost than have actually been lost since that time. There have been about 250,000 jobs lost. If we had held a balance in the budget at the \$3-billion deficit, we would have created 70,000 more unemployed people. We are talking now about an unemployment rate in Ontario which is double-digit for the first time in a very long time indeed.

We are looking at an unusual case where Ontario is the hardest hit of any province by this recession, so for any government to have worsened the recession would be unconscionable. This budget is about cushioning the effects and making a modest attempt to aid a recovery, but only a modest attempt. I would agree with you it is a good budget for bad times. It is the best we can do in times that are really quite bad.

Ms M. Ward: There is a further factor aside from the jobs that also would have been lost. If you were looking at cuts in social services, it would have a further impact on reducing benefits and services for people already unemployed.

Mr Watkins: In the short term it would have adversely affected people already being adversely affected and I think we then also have to worry about the long term. It is very hard for me as an economist to imagine cutbacks in health spending or cutbacks in education—perhaps I have a bias in this regard. It is hard for me to believe that those in and of themselves do not have bad long-term effects as well. If the workforce is not healthy and well educated, what are your long-term prospects? I do not mean you cannot deliver public services more efficiently—that is not a valid issue—but just across-the-board cutbacks are likely to have not only bad short-term effects; they are likely to have bad long-term effects.

Mr Sutherland: It was interesting in your presentation that you used the terminology that in effect the federal government has shifted an important part of its deficit problem on to the provinces. I am not sure the people of this province have a full understanding of that in terms of the fact that what we are seeing is that the federal government in some ways, by passing on that deficit problem, is trying to make the other people—in this case I think the provinces—look like the bad people for running up deficits while it is showing restraint.

I just want to expand upon that in terms of the federal government's role in the recession overall. We heard last week, I think very well, actually, the impact of the free trade agreement. We have heard some comments about high interest rates and there seems to be an ongoing debate about where interest rates should be, and particularly the differential with the American one.

Some have said that our rates cannot go down that much more, that we have to keep that high differential. Do you think there is room for some easing, and that in the long term that will probably be the best solution for economic recovery?

Mr Watkins: I think many economists are very unhappy with the macroeconomic policy which the federal government has been pursuing recently where we have had—the whole world has been plagued by very high rates of interest, but in the Canadian case we have actually chosen to create an unprecedented differential between American real rates and Canadian real rates and there is no doubt that is one reason why private sector investment is running relatively low at the present time.

I would have thought the Bank of Canada could afford to ease up a bit on interest rates. We would then expect that the Canadian dollar would go down. Why is the governor of the Bank of Canada so obsessed with the value of the Canadian dollar? Basically, because they have this zero inflation objective in mind and if they let the Canadian dollar go down then the price of imported goods, which is about 30% of what we are consuming, will go up and that will tend to have some inflationary effects. We can all agree on that. The present government is so obsessed with

inflation that it will not permit the Canadian dollar to fall at all, even though there are all kinds of activities in Canada which simply cannot be competitive at an 87-cent dollar, which would certainly be competitive at say, an 80-cent dollar. I would say, as many economists have said in the past year or two, let interest rates go down. All that is going to happen is that the Canadian dollar will go down. But since it is a good thing to have the Canadian dollar go down, that should be seen as a benefit rather than a cost of these kinds of policies.

Mr Sutherland: If I may just do a follow-up, in some ways you are suggesting that if interest rates were to go down somewhat, that would lower the Canadian dollar. That in itself would help stimulate economic recovery and I suppose, in the long term, that would reduce the provincial deficit.

Mr Watkins: Yes, that would indeed stimulate recovery because it would make our exports more competitive than they presently are and it would make our domestic production more competitive against imports than it presently is. It is sort of counterproductive to rip the federal government any more, given its present standing in the polls, but it is hard to imagine a set of economic policies worse than the present federal government has chosen to pursue. Even with a wise and sensible federal government, this provincial government would have found it had a problem. There has been a downturn in the United States; there is going to be a downturn in Canada. There would have been a recession, but it would have been nothing like as serious as the present recession is. It is likely, you see, that one of the horrible ironies of this is that provincial government policy is not sufficient actually to negate the bad effects of federal government policy, but I do not see how any Ontario government has any alternative but to do whatever it can to alleviate and cushion the bad effects, even though they are substantially caused by federal government policy itself.

Mr B. Ward: Some people have said these are the worst economic times since the so-called Dirty Thirties. During the 1930s governments attempted to balance their budgets and they failed, as a result we had a 10-year depression. Can you comment on why those policies failed in the 1930s and why it is important for governments during these economic times to stimulate the economy within their ability?

Mr Watkins: We are thinking about the history of economics actually, because there is a kind of real *déjà vu* involved here, and we went through all of this in the 1930s. There was a great debate among economists as to whether you should balance budgets, whether you should cut government spending, or whether you should increase it. Out of the terrible Depression of the 1930s came the very important economic innovations of Lord John Maynard Keynes and so-called Keynesian economics, and also out of it came the American New Deal, the last progressive government the United States has had, which was committed to trying to bring the economy out of the Great Depression of the 1930s, actually more so than any Canadian government was.

It would be generally agreed by historians, I am sure, that what finally ended that horrible Depression of the 1930s was the Second World War itself, a terrible way to solve a problem. But those governments which had said they could not spend their way out of the Depression promptly proceeded to spend their way out of the Depression by spending on the war. We are not literally in the 1930s yet, but we have governments that are perfectly capable of putting us there and we certainly are having a serious problem of slow growth, of low productivity, growth and so on. These have not been good times and for too many governments have simply regressed to the kinds of Calvin Coolidge-Herbert Hoover types of policies. I think all we can say is they ain't going to work. They are not going to work.

The complaint against Keynesian policy, these stimulative policies, by and large is that they spill out too much into other parts, that if any one government pursues it in any one area, the benefits do not remain sufficiently within that area. That is true. When the Ontario government stimulates, other provinces and American states will benefit from this. We will not get all the benefits here in Ontario.

The answer to that, of course, is that we ought to have national and international co-operation. In my view, Keynesian policies would remain viable if there were international co-operation. When the leaders of the G-7 countries get together, and if they had progressive political leadership rather than what they presently mostly have, it might be possible to talk about international policies which would be of a stimulative nature, and then I think what the Ontario government is doing we could well do more of than is presently being done. But it is hard to do that much when all other governments are failing to do it.

1030

Mr Phillips: On the economic principles you talk about here, I understand your view on this year's budget but down the road what is your feeling in terms of balancing and surpluses? I think the budget calls for fairly good economic growth in the next five years. What should we be looking at in terms of deficits over the next five or six years?

Mr Watkins: On these fiscal matters I would tend to be something of a conservative. This is a rather hypothetical abstract we are putting, but if you can define something called a business cycle of good times and bad times, then policies ought to aim for balanced budgets over the cycle. If there are deeper structural problems, you cannot, in my view, solve them by this kind of fiscal stimulus.

I guess one of the implications of what I am saying is that the previous government should have run surpluses but I admit it was under a lot of pressure, including probably pressure from the opposition, not to do that. I accept that point, but in terms of fiscal balance, we would have been better off if there had been surpluses run by the previous government in the growth period of the late 1980s, and then when this downturn came, we could have afforded more of a deficit than we presently have.

I would think that this government ideally, with a four-five-year mandate, ought to aim to balance its budget over that period.

Mr Phillips: So you would have severe negative comments about this budget then, because I do not think it ever is in the next 10 years within six or seven—

Mr Watkins: What I would look for is policies other than fiscal stimulus to try and get the economy moving. That is what I would look for. In other words, I would argue that the problem with Keynesian policies is not that they are too much, as the conservative mind alleges, but that they are too little.

Mr Phillips: I am surprised your document does not reflect those concerns, because this budget calls for substantial deficits for ever.

Mr Watkins: No, it would not call for them for ever. I would have to check the numbers, but if you got unemployment down to 3% or 4% in this province, I am sure you would have a balanced budget. The problem is that we are looking at continuing high levels of unemployment. That is the problem. All I would say is that I would not deal with those simply by fiscal stimulus.

Mr Phillips: I think I understand what he said and I am surprised your document does not reflect those concerns.

Mrs Sullivan: I want to really follow very closely, Mr Watkins, on the remarks you have just made and made in relation to a previous questioner relating to government investment as a stimulus. You have referred to that on one page, I think page 3.

I noted that in this particular budget the stimulus came mainly through short-term job creation policies, projects that were already on the table at the municipal level for short-term investment in, say, sewerage and capital works programs where the investment and indeed the job creation would be over in a very short period of time. Where we have seen a major change is that the long-term investment, either through the technology fund or through significant longer-term stimulus in the new areas of our economy which have to be developed in order to have a competitive economy has been completely ignored.

As you talk about reducing unemployment over the longer term to the 3% level where deficits will not be a problem, it seems to me that what this budget has failed to do is to create the stimulus over the longer term that is going to be absolutely vital to create that kind of a new competitive economy. I would like you to comment on that.

Mr Watkins: I would certainly agree with the first part of what you are saying. As I understand it, when this government came in it discovered there was an existing shelf of public works projects, and it is to the credit of the Treasurer and the credit of the last government that should be so. It would then make sense for any government to draw from that shelf quickly.

Again, the problem when a recession starts is that you do not know how deep it is going to go. You do not know how long it is going to last. You have to worry. There are lots of cases that economists could tell you about where governments stimulate the economy and by the time the spending actually takes place the economy is no longer in

a recession. That is the case with having these projects on the shelf, and starting out with short-term jobs is a compelling case. That is in fact what you should be doing.

On the longer-term problem, I guess I read this budget as being very encouraging in what it says about how to deal with deeper problems about creating a competitive economy here in Ontario.

Mrs Sullivan: But there is no action in it. Where do you see the action?

Mr Watkins: What I would have thought is that you have had a long period of inaction in this province, which you have had, and that it is not going to be easy for a government to come in and quickly deal with long-term solutions.

This government, it seems to me, has a four- to five-year mandate. As to the statements that are included in the budget papers, the appendix on competitiveness, I would say, as an economist, is a very good statement indeed, the best I have seen issued by any government in North America, so I would say, give this government a chance to give effect to these policy statements. I am quite optimistic about what this government will do in the long run, on the basis of that statement, which was tabled as part of the budget statement. I can think of no precedent for any budget document that has included that kind of assertion about the root causes of difficulties in the Canadian economy and how to deal with them over the long term.

Mrs Sullivan: I think it is one thing to have a statement, but it is another thing to have the action within the context of the budget that in fact starts to move on that statement. Indeed, the technological—

Mr Watkins: I would presume the future budgets will help us in this regard. This is only the first budget.

Mrs Sullivan: But you concur that there is nothing in this budget to assist us over the longer term.

Mr Watkins: No, I would not go that far. There is some additional spending on R and D. There are measures in the area of pay equity. There are policies announced and contained in this budget that I think will be helpful in terms of growth.

Mr Kwinter: Mr Watkins, I have a few questions. I notice that in your opening remarks you listed all the economists who were supporting this budget. I also notice with some interest that every single one of them is at a university, which is kind of an insulated environment. You do not list one single economist who is out in the real world. How many would you think would be on the other side and think this budget is a bit of a disaster?

Mr Watkins: Let me just say first that you are substantially right about where we come from. Although you say absolutely none, we list the name of Andrew Jackson, who is the senior economist of the Canadian Labour Congress, and in my view the trade union movement is part of the real world.

I actually have a real problem, frankly, with the view that universities are not part of the real world. I have spent my life there. What is unreal about it? I would have thought that we could build a case, frankly, that those of us

who teach at universities and have tenure can afford to be honest and can afford to state what our views are and can afford to put forward objective analysis. So I offer no apologies at all for putting out a statement signed by university professors. I frankly think that we are all experts—we are all economists—and our view should be taken seriously, as seriously as anyone else's views. We are not better than other people, but we are certainly not worse.

1040

Mr Kwinter: I am not suggesting you are worse. I am also not suggesting you are any better.

Let me give you three quotes:

"Ontario is throwing caution to the wind by tripling its debt"—Larry Atkinson, chief economist at the Bank of Montreal.

"I think what worries us is the fact that the deficit is expected to remain high over the next several years. We are already in a province that is widely viewed by members of the business community as a high-cost setting"—Don McIvor, chief economist at Sun Life Assurance.

"We are facing an awful lot of borrowing over the next few years, and this certainly won't help us to get interest rates down very quickly"—Ted Carmichael, senior economist at Burns Fry Ltd.

The point I am making is that in any debate you can rally your supporters, and on the other side they can rally their supporters. My concern is that when looking at this, the uninformed say, "Wow, look at all these university types who think this is a great budget," when out in the real world—and when I say the real world, it includes economists and includes academics or labour economists, whatever it is—there is absolutely a difference of opinion. There is a difference of opinion out there, and there are people who think this budget is a bad budget.

I am not in any way saying you are not entitled to your views. I just feel that to list these people to try to bolster your argument gives a bit of a distorted view. I would have been a little happier if half of them had been academics and half of them had been business people, people who are out in international trade and financial circles, people of that kind.

Mr Watkins: With the greatest of respect, I think you are naïve in imagining that the chief economist of any bank in Canada would sign a statement supporting this kind of budget. That goes back to my point about the freedom that exists for those of us who work at universities. I can assure you that some of the names you have listed were very critical of the last government. I know some of these economists as economists, and they thought the last government was spending too much—I am sure you have all heard that said—and was failing to run surpluses during the good times.

Of course there are different points of view about economics. It is a social science; that is true. So what is logic for putting forward this statement? We are not trying to say we represent the totality of the spectrum of opinion. We do not. I think our concern was that the media was creating an impression, because of the extraordinary power of the business community in that area, that there were really no

economists who were in support of this kind of budgetary policy, that somehow this was beyond the realm of the feasible and the sensible. A group of us got together and said: "There are a lot of economists in Canada who think this is, if anything, a modest and a very sensible budget. Why don't we issue a statement that says that?" That is what we are doing and we are not pretending to do anything other than that.

I would not have thought it was worth my while to go to get the chief economist of one of the banks in Canada to sign such a statement. I think that is an unrealistic notion of who pays the salaries of these people and of what a neo-conservative mind is like.

Mr Kwinter: Mr Watkins, I would like to get your comments and your explanation as an economist on something. On page 3 of your presentation, you say: "Short-term interest rates have continued to decline since the Ontario budget was released, and it is in the capacity of the Bank of Canada to permit further declines, given the current level of US interest rates. These would further allow the value of the Canadian dollar to fall, thus promoting the recovery of export industries."

When I read this, I get the impression that you are implying that as interest rates have come down, the value of the Canadian dollar has come down, and that if the Bank of Canada would only accelerate the decrease in interest rates, this would, as you say, "further allow the value of the Canadian dollar to fall." In fact, interest rates have come down and, if anything, the Canadian dollar has gone up. It is at its highest level. This morning it was 87.3. It has certainly not come down one bit other than a very marginal decrease over a flurry about the so-called scandal in Ottawa. There does not seem to be a correlation even though economists have maintained that if the interest rates came down, the value of the dollar would come down. Because of the high interest rates, it is supporting the high value of the dollar. Could you explain that?

Mr Watkins: I think the answer to this puzzle is that what is at issue is relative real rates of interest. Canadian interest rates have fallen, but so have American rates and so have rates in other countries. What is at issue here in terms of determining the effect on the value of the Canadian dollar is the real differential, the differential between Canada and the rest of the world and not simply Canada and the United States. That differential has not narrowed, so as our rates have fallen, American rates have fallen too. There has been no narrowing of the real differential.

I can assure you, if you follow the business press, including the recent issue around the charges laid by Mr Kealey, that the Bank of Canada has moved very briskly to shore up the Canadian dollar by saying it will raise interest rates if the Canadian dollar begins to fall. So the correlation here is compelling and literally perfect, not only in some long-run macro sense, but given the mindset of the current governor of the Bank of Canada.

All we are saying here is, take a chance. Let the interest rate differential narrow. It is at an unprecedented level historically in recent years. We have not traditionally maintained this kind of real differential between American

and Canadian rates. What will happen is that the Canadian dollar will begin to fall. Let it fall.

The good effects are that you will get more jobs in the export industries and in import-competing industries. What are the bad effects? It will have an inflationary effect, that is true, but economics being the dismal science it is, you sometimes have to make choices. The present government and the bank are obsessed with this zero inflation view, and the reason they will not let the Canadian dollar fall is because a fall would have some effect on increasing inflation rates. I would disagree with that.

Mrs Cunningham: I apologize, Professor Watkins. I read it but did not hear you deliver it. I have heard your statements in response to the Liberal questions. My colleague Mr Sterling has given me some questions and I have some of my own from listening to you.

First of all, I am interested in your group, the Canadian Centre for Policy Alternatives. This is a group of professors or university employees from across Canada? Is that the makeup of the group you represent? I am just curious to know what this group is.

Mr Watkins: Yes. Most of the members of the centre would be faculty members at universities.

Mrs Cunningham: And it is based in Ottawa?

Mr Watkins: Yes, it is.

Mrs Cunningham: With the purpose of giving advice to the public sector, or giving advice to private enterprise?

Mr Watkins: Anybody who will listen, I am sure.

Mrs Cunningham: Anybody who listens.

Mr Watkins: It is a research institute. There are many of these now in Canada. I do not wish to deceive you; this research institute tends to consist of people who are more progressive in their politics.

Mrs Cunningham: Like myself—Progressive Conservative.

Mr Watkins: I do not know whether any of our institutional members are in the business community. I certainly know that there are a number of trade unions that are institutional supporters of this group.

Mrs Cunningham: But you are self-employed. You are not paid by the university, or a university.

Mr Watkins: In my case?

Mrs Cunningham: Yes.

Mr Watkins: I am a professor at the University of Toronto.

Mrs Cunningham: Okay. I am sorry; I thought that is what you were. So certain professors are associated with this.

Mr Watkins: Yes. We pay \$25 a year. We are members of this centre and we write things and they publish our research and so on.

Mrs Cunningham: So there may be a paid staff.

Mr Watkins: I think there is one person.

Mrs Cunningham: All right. I am associated in some ways with the University of Western Ontario and the business school and I certainly know some economists there

who would not share your view, but you are not surprised to hear that.

Mr Watkins: I am not surprised to hear that, no.

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Mrs Cunningham: In the public hearings we have already had, certainly our party, and in our travels around the province and in certain other hearings at this Legislative Building, there were a number of representatives from the business community who were very much opposed to the budget. I am wondering how, given what I have heard so far, you could take strong opposition or not support them in some way with your statements—or would you support them in some way? I am talking about their concerns.

Mr Watkins: I think one always takes business concerns seriously because business is very powerful in our society. I do not doubt that business attitudes and business confidence matter, and it is very hard for us as economists to factor into the models we work with.

I guess my own view as an economist is—I do not want to just repeat myself here—that these high interest rates, the differential with the United States, the high Canadian dollar, raising a tax like the GST in the midst of a recession, are the basic determinants of the difficulties we are now having, so I do not necessarily see that I have to give a lot of weight to something called business confidence. I do not deny that in a world where private businesses make decisions and make investment decisions, if they are all unhappy you could have a problem. You have to listen to what is being said. I do not deny that at all.

The other problem I have, though, is that we all, as well as being experts, often grind ideological axes, I am sure. Perhaps I have on occasion, but certainly the business community is very fond of doing that. What is going on here is really a debate about the size of government and about the kinds of spending the government ought to engage in.

Why is the business community so nervous about an NDP government? Well, because they fear that government might actually worry about the fate of a lot of people. If they spend more or do not cut spending, they may have to tax more. I do not want to go too far down this road, but the Ontario tax system is a very unfair system. Once you start talking about reform of the system in any direction that involves fairness, it may well mean that well-to-do people or business people will pay more taxes.

We see that every day in the US. The obsession of the US on the right wing is that under no circumstances will they ever pay another penny of tax. That is the neo-conservative mind. The reason they are so nervous about any kind of deficit is because somebody might actually decide to deal with the deficit by increasing taxes in a way that would require those people to pay some taxes. The notion of a minimum corporate tax truly frightens them.

That is the problem. I think the deficit is a real issue, but it has also become a whole code language for the business community, a whole way in which it pursues other goals. They really want to downscale the size of government in the long run. They are not basically dealing with the short-term problem. They properly sense that

NDP governments are not as pro-business as Conservative governments or Liberal governments.

Mrs Cunningham: Let's talk about downsizing government. I myself worked in the government before I let my name stand for election in London, and I also had a private business that did government audits of three of the different ministries. I can assure you that the audit branches of those ministries have advised government of the inefficiencies. A lot of it relates to new programs without changing old programs that may have been relevant at some time and to people not working at the level of expectation some of us would expect. Of course, universities have been criticized for that too—you and I know that—but I will say that they have been given some very specific recommendations in their audit reports as to how they can be more efficient. It does not always mean downsizing and it does not always mean spending more money.

Mr Watkins: No, I can agree.

Mrs Cunningham: I would appreciate your comments on those two straightforward recommendations by government employees as well as private sector people like myself.

Mr Watkins: I have an impression, with the greatest of respect, that this province was governed for 42 years by the Conservative Party.

Mrs Cunningham: You are quite right.

Mr Watkins: How come so much inefficiency exists in the public sector then?

Mrs Cunningham: I would say that the Conservative Party, during its period of time, was guilty of what I am describing. So were the Liberals, and the NDP has not done anything about it. I am not here, certainly as a parent, to talk about the past. I let my name stand because I wanted to do something about the future so that Ontario could remain competitive.

Mr Watkins: Fair enough, although if there are problems—

Mrs Cunningham: I do not like that response. I do not think that is a particularly professional response.

Mr Watkins: If there are problems—

Mrs Cunningham: I am looking for solutions.

Mr Watkins: Well, we cannot find a solution—

Mrs Cunningham: That is why you are here, to help us and this government with solutions.

Mr Watkins: All right. We need a diagnosis too, do we not? I do not go to a doctor and just ask him to tell me what to do without giving me a diagnosis. I am saying, if the public sector is inefficient, how did it get to be inefficient?

Mrs Cunningham: Your response on what we do about it is what I am looking for today.

Mr Watkins: I would have hoped that we now have a government which will try to improve on the efficiency with which public services are delivered. I might say, I dissociate myself from any comment that suggests that universities are somehow being inefficient.

Mrs Cunningham: I did not say that. I said they were being accused of being inefficient, and that is not new. It was sort of an aside remark.

Mr Watkins: I just want to dissociate myself, though.

Mrs Cunningham: It is certainly something that the government is dealing with through its standing committee on public accounts. I had to sit there and listen to it. We are looking for solutions today.

Let me ask you another question. You talked about a 3% unemployment rate. I would like you to describe, since you are an economist, when this province enjoyed a 3% unemployment rate. Do you think that is something we can achieve in the next four or five years, and if so, how?

Mr Watkins: We have had a persistent problem with high levels of unemployment for something like two decades, throughout the 1970s and the 1980s. To go back to a 3% level would be literally to go back to the 1960s. Apparently there is something profoundly malfunctioning in our present economies. I think that is what we know. There are some very serious structural problems. I would not anticipate that we could move easily or quickly to those kinds of low levels of unemployment. I certainly grant that.

I think this is why Keynesian economics of the stimulative type are now in trouble. There are two responses when that happens. One is to say that government should do less—that is the neo-conservative solution—and become more efficient and so on. The other is to say that actually the private sector is the source of the problem and governments are going to have to do more rather than less. That is what this great debate is about.

Basically, the neo-conservatives have been running things now for 10, 15, 20 years, and yet things are not improving. Unless they start to improve soon, I suspect that what the Ontario electorate has done will happen more generally. The public is going to start looking for more activist governments. Perhaps I am just engaging in some wishful thinking here.

My argument would be simply that it is quite a severe crisis. It is not the 1930s, but there has been a persistent crisis of slow growth and inadequate productivity. It is quite complicated. The present Ontario government is the first government in my lifetime which seems to understand that this is a problem, and may therefore try to do something about it.

Mrs Cunningham: I am wondering if you would agree with the observation we have heard many times, and that is the excessive government spending, certainly giving rise to the criticism of the former government during what was described by economists as good economic times. I am now talking about 1985 to 1990. I do not know if you would agree with that, but I would like you to comment on it. That government was certainly viewed by some as being excessive in its spending during the good times. Do you have any comment on that?

Mr Watkins: I think I said already that certainly there would be economists who would have wished that the previous Liberal government had run surpluses.

Mr Phillips: It did. We know that.

Mr Watkins: In economics we are interested in what is true at the margin—larger surpluses then, so that we could have cushioned this. I am not necessarily saying I could press that very hard. I am not convinced myself that the major problem we face is excessive government spending; let's put it that way.

Certainly in some short-run sense to slash government spending, as the federal government is doing, just pushes the problems down on to lower levels of government. It does not solve anything. It is all a kind of scam they are engaged in. The public is not being deceived by it. I would have thought that is one reason the present federal government is so unpopular, that it is seen as avoiding problems rather than solving problems, and worsening economic issues.

I have no problem with someone saying—I would guess no one in this government has—that you should deliver public services as efficiently as you can. I do not have a problem with that.

100

Mrs Cunningham: I see us moving in the same direction as the federal government found itself in some five or ten years ago, and that was an excessive deficit. Their challenge is, of course, not to increase it. Given the size of it in Canada today, they increase it exactly by the amount of the interest payments they have to pay on that particular debt. I should have used the word "debt" instead of "deficit."

In Ontario, all of us—I believe the government members themselves, in talking individually to them, and certainly the ministers—are very concerned about the direction this province seems to be going in, and yet they have not found a solution. That is why we are having these hearings, to get some solutions.

It is all right to say the federal government is passing the buck down to the provincial government. At the same time, the provincial government has been accused of passing the debt down to the municipalities, and the municipalities therefore to the taxpayers. But we are looking for solutions today. It is fine to say they are slashing spending federally, but they are certainly keeping the—the deficit is growing by interest payments on the debt, almost exactly, which means if they did not have the debt, they would probably be balancing their budget.

What kind of solution should this government be looking for so that it does not become so large in the next five years that we have yet another crisis?

Mr Watkins: I think you are overstating. I do not know what numbers you are relying on to—

Mrs Cunningham: Basically government budget—

Mr Watkins: Let us just look at this for a moment. Probably the best measure for the burden of the debt would be the percentage of government revenues consumed by interest on that debt. The number here at the moment in Ontario is 11.6% or 12%, let us say, rounding. The forecast in the budget documents—I think every economist I know regards those growth forecasts as on the conservative side. Unlike many federal estimates we have had in recent years, these are likely to stand up, and they show that ratio will fall slightly over the next three or four years, let us say

to 11%. What is the present federal number, 34%? Now that is a huge difference. I want to underline this point: The present policies of this government will not get us into the fiscal trap that has been created at the federal level. I am appalled at what has happened at the federal level. I agree with you on that—

Mrs Cunningham: It was inherited, of course.

Mr Watkins: —but this is not happening in Ontario. This is not in the cards in Ontario.

Now on the other question, what do I say? I say this is a good budget. It speaks to the short term and it indicates the government, as I read it, is thinking very seriously about long-term matters as well. We have no evidence of any kind of industrial policy at the federal level. You combine the short term and the long term and we have a federal government which is backed up in both areas. This present government here in Ontario, it seems to me, has a good short-term policy and is working towards a good long-term policy.

Mrs Cunningham: And that is why we have the great concern about industry and business leaving Ontario.

Mr Watkins: I hear the grinding of ideological axes.

Mrs Cunningham: We see the numbers. In my own southwest Ontario, unfortunately, I sit here saying that I today represent some 20 more companies which are locating businesses elsewhere, and not in Ontario; not all south of the border, but not in Ontario. It is not a joke when people come into my office and tell me after the fact that they have done it.

Mr Watkins: I agree with you that no job loss—

Mrs Cunningham: These are small business people, and about three or four major companies for Ontario; big tax dollars there.

Mr Watkins: All I can tell you is that if you look at the studies done on competitiveness put out by quite conservative bodies, they show that the Ontario economy is, and remains, highly competitive, and that is a fact.

Mrs Cunningham: I would like you to at least leave them with the clerk, or titles of them that we can read, because unfortunately we are reading the other stuff. The Premier's Council, certainly in the last four years, has made the same recommendations year after year, that we were not competitive, that we are not training our young people for a competitive environment. As an educator, I happen to agree with that.

Mr Watkins: On the training issue, these studies show that Ontario, in terms of public spending—and this then reflects on past government favourably—ranks very well in terms of public sector spending in this area. We rank very well in Ontario and in Canada in public sector spending on research and development. The basic problem is the failure of the private sector. We rank very low in terms of private sector R&D, in part because of high levels of foreign ownership. We rank very low, one of the lowest in the Organization for Economic Co-operation and Development countries, in terms of what the private sector does in the training area. The private sector in this province is much more a part of the problem, substantially a part of the problem.

Mrs Cunningham: I would agree with you.

The Chair: Mrs Cunningham, your time is well up.

Mrs Cunningham: Yes, it is up, well up. Sorry; I was not certain of the time frame. Thank you very much. We could pursue this argument elsewhere.

The Chair: Thank you, Mr Watkins, for coming this morning. This committee will be adjourned until 2:30 this afternoon.

The committee recessed at 1107.

AFTERNOON SITTING

The committee resumed at 1432.

SOCIAL PLANNING COUNCIL
OF METROPOLITAN TORONTO

The Chair: I think I would like to begin this afternoon. We are reasonably on time and I see a quorum.

I would like to begin by introducing the Social Planning Council of Metropolitan Toronto, Fern Stimpson, ward member, and if you could introduce who you have brought along to the committee, we would like to begin. The way we will do this is that we have half an hour. You will make your presentation and whatever time is left over will be evenly divided among the three parties to ask questions for that half-hour.

Mr Phillips: Mr Chairman, I am sorry, before we begin, I do not know whether we have had an opportunity to table a report that our caucus did on the budget. If we have not done that, I would like to do that, just sort of interrupt and take a half a second. I think it may be of interest to the committee members. I am sure they will all get a copy of it. Perhaps I could do that, just to table our report.

The Chair: If you could do it quickly.

Mr Phillips: I have just done it.

The Chair: Thank you. If that is all it entails, then that is wonderful. Now if you could begin, please.

Ms Stimpson: I would like to introduce Tom Baker, who is with me this afternoon. He is a staff member with the Social Planning Council of Metropolitan Toronto and is responsible for the research that has gone into our submission.

The Social Planning Council of Metropolitan Toronto is extremely pleased to have the opportunity to present our views on the provincial budget. Basically, we believe that the budget was a very positive action by the provincial government.

The Social Planning Council of Metropolitan Toronto, just to give you a bit of background, has been part of Toronto's social history for more than 50 years. Rather than focusing on narrow, service planning issues, the council's reform and advocacy efforts now emphasize the need for policy which integrates both economic and social issues.

Through collaboration with its various committees, the council is more committed than ever to a social development framework which is based on social and economic equity and community empowerment, the roots of a healthy community. We believe that by choosing to fight the recession rather than the provincial deficit, the provincial government enhanced social and economic equity in the province of Ontario.

The council, in its work within six theme areas, which are housing, employment, income security, social justice, families and neighbourhood and community services, strives to implement its mission through a set of interrelated strategies—the pursuit of access and equity, empowerment and healthy communities—and it uses functions of social research and policy analysis, community education,

community advocacy and innovative services development in pursuit of these strategies.

In 1990, there were approximately 397 members of the council. Its membership is composed of 276 individuals and 121 organizations with two delegates each. The council is supported by its two major funders, the United Way of Greater Toronto and the municipality of Metropolitan Toronto. We greatly appreciate their commitment.

By refusing to jump on the cutback bandwagon, the provincial government has not shifted its responsibilities to already financially constrained municipalities and federated charities. What the provincial government's budget has done is to seek middle ground. For example, the Treasurer acknowledged the difficulty in Ontario's workforce in giving an immediate \$7.50 an hour wage floor, but at the same time, he did not cut back Ontario's social safety net.

The total provincial debt is estimated now at about \$58 billion. Let's see what actually erasing this debt would mean.

"The budget was a confidence builder," says chief economist and vice-president of the Conference Board of Canada, James Frank. Reducing the deficit "would have led to a significant delay in the recovery and contributed to further increases in unemployment, bankruptcies and lost output. I believe most people in Ontario, including many business people, have had enough of the recession and the weak housing starts, sluggish automobile sales, dropping employment and increasing bankruptcies."

Spending on new programs only added \$640 million to the \$9.7-billion deficit. Health, education, social assistance and more capital spending accounts for most of it.

"Had measures been taken to hold the line on operating expenditures, which rose by \$5.2 billion, or on capital expenditures, which rose by \$1 billion, we could easily have ended up with a much longer recession," says Frank.

"I think it's a move in the right direction to do something for a province that has been particularly hard done by in recent years," says Informetrica president Mike McCracken.

"The government's anti-recession program will create up to 14,000 jobs in 1990 and 1991 through projects to maintain and improve public facilities like schools, hospitals, colleges and universities," says Ontario Treasurer Floyd Laughren. "As a result of additional funding from school boards, hospitals, municipalities who are sharing in the projects, total spending will amount to \$940 million, \$700 million of which is from the province."

"The 1991 budget reflects a political choice to fight the recession this year and allow the deficit to increase as a result. By choosing not to cut back in funding for schools, colleges and universities, hospitals, municipalities and social services, there are 70,000 more people with jobs in Ontario than there would have been with a zero deficit."

Cuts in spending would only mean less service, more local property taxes and a longer recession. If the government had not increased spending commitments, the deficit would still be more than \$7 billion.

"In order to keep the deficit at last year's level, \$3 billion, we would have had to cut more than \$6 billion in

public funding," says Ontario Treasurer Floyd Laughren. "The magnitude of these cuts is staggering. We could have flat-lined the major transfer payments and saved \$1.3 billion in the process, but what would that have meant to our major transfer recipients? Enrolment in colleges and universities would have been cut by 25,000. Almost 5,000 or 10% of hospital beds would have been closed. Without additional funds for municipalities and school boards, either property taxes would have increased by about 4.2% over 1990 levels or 6,000 classrooms would have closed and public health operations would have been slashed by 33%. We also could have eliminated all new spending initiatives, discontinued the home care programs for seniors and the disabled, discontinued the legal aid program, eliminated the winter maintenance program for provincial highways, eliminated the technology fund, slashed welfare rates by 10%, dropped the Ontario drug benefit for both seniors and social assistance recipients."

1440

Health care costs make up about 32% of the provincial budget. If 32% of the provincial debt was taken from provincial ridings equally, each riding would have had to absorb a \$143-million cut. In the case of Peterborough, for example, that means closing the city's hospital.

What about Metropolitan Toronto? Social service costs make up 19% of the provincial budget. If we took 19% of the provincial debt from provincial ridings equally, Metro ridings would have had to absorb a \$2.5-billion cut. That would have meant closing all of the region's homes for the aged and possibly throwing developmentally challenged people out on the streets. Workshops for the disabled might have been shut. It still would not have been enough money to get by. In the midst of Ontario's worst recession since the 1930s, more than half of the new \$215 million for social assistance this year will go to maintain the current system and address increased case loads.

The federal government's transfer payment cuts to Ontario of \$3.6 billion have left the Treasurer with little room to move. We have been monitoring closely in order to ensure the government's commitment to fairness and to ensure that it is not sacrificed to expediency.

In the spring of 1991, Canada remained mired in a year-long recession, a result of deliberate government policies intended to eradicate inflation. Although current analysis suggests that the recession technically may have ended by May 1991, the high proportion of permanent plant closures make it doubtful that the economy will enjoy a strong recovery. The Toronto region, with its heavier dependence on manufacturing, has suffered more than other parts of the country in this recession, unlike the recession of 1981-82, which was driven more by increased global competition in the resource industries.

Let's compare the last two recessions and how they came about and manifested themselves in the Toronto area and the relative prospects for recovery.

A recession is defined, in narrow economic terms, as two or more successive quarters of economic contraction. In simple terms, it means that the value of what we produce is less, so the economic pie that is shared is getting smaller. Canada entered a recession early in the second

quarter of 1990 and by the first quarter of 1991 had suffered a 2.8% decline in the gross domestic product.

However, for most people a recession is best understood in terms of unemployment. From a low of 7.5% in the late 1980s, official unemployment rose to over 8% in the third quarter of 1990, over 9% in the fourth quarter and over 10% in the early part of 1991, a seasonally adjusted number.

This recession follows a prolonged period of growth after the recession of 1981-82, which has been called the worst economic downturn since the Great Depression of the 1930s. It took national unemployment rates eight years to come down to approximately 7.5%, the pre-recession rate, from a peak of nearly 12% in the fall and winter of 1982-83. Official unemployment declined by creating record numbers of part-time jobs, increasing the polarization of earnings and proliferating erratic patterns of working hours. Other indicators, such as the GDP, which fell by 6.6%, and corporate profits, which fell by 40%, were restored by early 1983, in less than 18 months. This shows that there are several definitions of when a recession is over.

The federal government has played a critical role in both recessions. In late 1980 the Bank of Canada began to raise interest rates, reasoning that we needed to match the American interest rate policy to prevent capital flowing to the US. In tandem with an improvement in natural resource commodity exports, the Canadian interest rate differential over the Federal Reserve rate in the US narrowed considerably, thus contributing to the decline in our dollar. A key factor in the sustained period of post-recessionary economic growth enjoyed in central Canada.

By the spring of 1988, the Bank of Canada began to raise interest rates again. This was necessary, according to the minutes of the board of directors of the Bank of Canada, to prevent an outbreak of inflation before it began. In fact, inflation had been stable at around 4% since 1982. Particularly worrisome to the bank was evidence of upward pressures on domestic costs of production, especially wages. By mid-1990, our interest rates were continuing to climb but American interest rates were declining, leading to the "made in Canada" label associated with this particular recession. The growing divergence in interest rates resulted in higher exchange rates, making Canadian exports more expensive in our principal export market, the United States.

Rising interest rates also slow the domestic economy by increasing the cost of financing productive investment as compared to investing in financial assets such as bonds. Slowdowns in economic growth created greater tensions over shares of the gross domestic product both in the early and the late 1980s. By the late 1980s, sustained economic growth had led to a relatively tighter labour market, at least in some parts of the country, which in turn led to workers' ability to maintain wage and salary levels. In the context of a shrinking economic pie, this meant that wages took a larger share of the national income. In this regard, the federal budget of February 1990 noted that "rising labour costs and weakening demand are squeezing profit margins."

While the 1981-82 recession had broad national repercussions, both the recovery and the current recession have

en highly centralized in southern Ontario. The gap between national unemployment rates and unemployment rates in the Toronto area, the Metro labour market, widened over the course of the 1980s as the recovery was disproportionately centred in the Toronto region. Almost 80% of the new jobs created in Canada between 1983 and 1989 were located in Ontario, with more than 20% created in the Toronto region alone. Unemployment rates in Quebec and Ontario returned to pre-recessionary levels by 1986 and continued to drop, but many parts of the country remained at stubbornly high levels, even in mid-1990 when the national rate began to rise again.

The current recession has been led by the free fall of the manufacturing sector, concentrated primarily in southern Ontario. Recent data show that unemployment has risen much more quickly in the Toronto area than in the rest of the country, with the result that the gap between the Toronto unemployment rate and the national unemployment rate has narrowed considerably. As expected, this recession has been much harder on the local labour market than the last one when, over the course of 18 months, the Toronto census metropolitan area lost 113,000 jobs. Thus far into this recession we have lost 178,000 jobs, with 104,000 lost over the course of the first quarter of 1991 alone. Whereas the continuing erosion of jobs was expected as the manufacturing sector restructures continentally, it is the precipitous nature of this decline which was unexpected. The Ontario government has reported that, among firms with more than 50 employees, "65% of layoffs in 1990 were the result of permanent plant closures, in contrast to the previous recession when 24% of layoffs were permanent."

450 The restrictions on unemployment insurance and Bill C-69, the so-called cap on CAP, the Canada assistance plan, have weakened the programs which automatically sustain people and the economy in an economic downturn. The impact of the recent UI changes has been to push people from the unemployment insurance system on to the local social assistance case load, harkening back to the system of municipal relief which was prevalent at the turn of the century. Federal projections indicate that in Metropolitan Toronto alone 127,000 people will exhaust their UI benefits over the next 12-month period. The municipality has conservatively estimated that 60,000 of these exhaustees will end up on welfare unless massive job creation occurs in the near future.

Bill C-69, although not yet implemented due to a challenge before the Supreme Court of Canada, seeks to restrict the amount of money to Ontario, Alberta and British Columbia for social assistance, forcing the provinces to either increasingly fund the program themselves or cut back. Bill C-69, if it becomes law, combined with the \$2.5 billion in cuts in federal established programs financing, will cost Ontario approximately \$3.6 billion in 1991-92. Because the cost of general welfare assistance is further cost-shared with the municipalities and because the welfare case load is the first to grow in a recession, these budgetary pressures translate to harder times and tougher decisions in all municipalities.

Under general welfare, 20% of costs are paid by Metropolitan Toronto. Family benefits allowances are financed by the province under a cost-sharing agreement with the federal government. The combined costs of general welfare assistance payments by the federal, provincial and the regional governments will be about \$830 million for Metro Toronto in 1991. Metro Toronto will spend about \$167 million on welfare payments in 1991.

In a recession, a poor-relief welfare policy can mean property tax increases on a comparatively narrow revenue base. It compounds the problem of access by endangering service in other areas like roads, recreation and safety.

Access is the key organizational and client issue in human service planning. Organizational access means the participation of clients in the design, planning, implementation and delivery of services as volunteers, staff or service agency board members. Client access means the securing of needed services, not only their availability.

The political impact of the recession in Metropolitan Toronto can be summarized as a reduction in access to the labour market, to housing, to child care, to transit and to welfare. These are key areas for which Metro Toronto has considerable responsibility.

There are 7,500 people on the waiting list for subsidized child care spaces in Metro. One quarter of the unsubsidized child care centre spaces are vacant due to affordability problems. The SPC has called for a continuum of child care services, including workplace-based and after-school child care programs to provide more flexibility for Metro families.

Only 18% of social assistance recipients have access to assisted housing, but basement apartments, one vehicle for increasing the supply of affordable rental housing, are illegal in Rosedale, Forest Hill, Scarborough, North York and Etobicoke. The waiting list for Metro's subsidized rental units has skyrocketed. For instance, the queue for Metropolitan Toronto Housing Authority units has reached a 15-year high of 12,310. While rental vacancies are up, mostly because condominium units are being put up for rent because owners cannot sell them, many condominium units will be taken off the rental market as the home ownership market recovers.

Few areas impact on access more directly than the transit area. Securing work, health and social services is intimately bound up with transportation. "In the absence of major improvements in suburban public transit systems or integration of those systems with the Toronto Transit Commission's (TTC), the number of suburban commuters into Metro will add further to Metro's road congestion," says an SPC Social Infopac. "Metro is increasingly characterized as a transit-efficient and intensified inner city surrounded by a fast-growing and car-dependent suburban ring, what a local transit planner has characterized as Vienna surrounded by Phoenix." The recession has also produced cuts on several public transit routes.

There were more than 134,700 people on general welfare assistance in Metro Toronto in June 1991. Between March 1990 and March 1991 the Metro welfare roll increased 90%, from 68,369 to 129,441. In March 1981 there were 40,599 claimants. This represents a staggering

219% increase in the number of people without access to employment in just a 10-year period.

In March 1991, 113,360 people in Metro received family benefits allowances. In total, in March 1991, 242,801 people were receiving general welfare or family benefits in Metro. Approximately 10% of Metro's population now relies on family benefits or welfare. Children under the age of 18 make up 40% of all social assistance recipients.

When you factor in a further 175,290 regular—that is, not sickness, disability or maternity—UI claimants in the month of March, more than 400,000 people in Metropolitan Toronto—one in five of the entire population—are being marginalized by this period of profound economic restructuring. That is why the provincial budget has to fight the recession and not the deficit.

Given the human costs of recession and the uneven distribution of gains from a market-driven recovery as experienced in the 1980s, it is worth asking how a planned economic recovery program like that in the provincial budget will improve the picture.

Until recently, the accepted vehicles for public policy to offset a recession were countercyclical mechanisms such as government expenditures on direct job creation programs and subsidies for failing private industries. Governments did not intervene strategically to decide what kind of focus the economy would have, so that ultimately the market shaped the direction and the strength of economic recovery. But given the degree of permanent job loss and the related decimation of our productive base during the last 18 months, can this approach be sustained? The evidence suggests not, and that governments are challenged as never before to provide public leadership for the rebuilding of our industrial base.

Let's look at some of the elements of an industrial strategy which are designed to achieve a more balanced recovery in which more people share in the gains. A meaningful industrial strategy must target the manufacturing sector, due to its ability to spin off jobs in other economic sectors when new jobs are created there. Public policy levers available to governments should not be conceived as strictly economic or social, but as a combination of both. For example, public policies on land use, including housing, child care, transit, and job training and adjustment can shape the economic viability of individual communities.

One of the public policy levers available for an industrial strategy is construction intensification. This policy replaces low tax-yield properties within the existing urban envelope with higher density developments. This is done through mainstreaming—mixing retail and residential buildings above stores—and making basement apartments. Such an approach would increase the stock of affordable housing while providing Metro with money to invest in an infrastructural improvement. This would put money in consumers' pockets, create jobs in manufacturing industries and preserve the neighbourhood character of the city.

1500

Spending on infrastructure can also be directed towards hard or soft service investments. For example, there is considerable evidence that there is a direct relationship

between productivity growth and public spending. Public spending includes not only expenditures to maintain or build roads and sewers, but also social services such as health, education, research and development programs.

Renewed concerns about competing in a global economy have frequently focused on the need to cut social spending, but we need to have a skilled workforce in order to compete. The role of public policy is to advance a skill development strategy which is co-ordinated with labour adjustment needs in a period of economic restructuring. Furthermore, it is only through the mechanism of public policy that we can integrate training programs with an industrial strategy. This could be both through general upgrading needs as well as specific sectoral needs for a strategically focused economy. In other words, we have to be clear about what kinds of jobs we are training for and what kind of society we are building.

Child care is usually seen strictly as a social policy issue. Yet a child care system designed to be accessible in terms of appropriateness and affordability could play a key role in enhancing the economic wellbeing of families and reducing reliance on social assistance.

Clearly, people policies can make an important contribution to achieving and sustaining economic prosperity. Rather than seeing social policies as the source of labour market rigidities which impede economic adjustments, we maintain that they can play a critical role in enhancing worker security and easing labour market adjustment in periods of rapid economic change. That is why we support the provincial budget.

The political alternative is rapidly emerging in public policy debates at all levels. To the extent the social wage—that portion of income workers forgo in exchange for securing needed human services like transit, child care, waste removal and welfare assistance, is eroded, the more likely it will become that conflict will sharpen in broader areas of economic and social concern, particularly in tax administration, employment and general economic development, as well as national unity.

At the Social Planning Council we have often repeated that access, equity and partnership are the three key strategies for attaining sustainable economic prosperity. I would like to thank you for the opportunity to appear here this afternoon and for your attention. If time permits, we would happily field questions.

The Chair: We have very few minutes. I think we have enough time for one question per party. We can begin with Mr Kwinter.

Mr Kwinter: Restricting myself to one question is very difficult. I was curious to see that you quoted extensively from James Frank, the chief economist and vice president of the Conference Board of Canada. You started with, "The budget was a confidence-builder," which I assume you endorse and think it is. Having said that, I should tell you that upon hearing that the Conference Board of Canada supported the NDP budget, Brian Gray vice-president of the Canadian Federation of Independent Business, is quoted as saying: "I don't know where he"

ing. He must be living on Mars if he can say that this budget inspires confidence."

In the next line, it talks about the recovery. Again, I have a quote: "I am rather taken aback by this analysis. I really don't think the Ontario budget has anything to do with the recovery." This is George Savage, chief economist of Montreal Trust.

The reason I am saying that is that the catch phrase being used by the government and the Treasurer is that they chose to fight the recession rather than the deficit, as those are the only two alternatives: You either fight the deficit or you fight the recession.

I submit, and I would like to get your comment, that they chose not to fight the recession; they chose to minimize the impact of the recession by providing money to certain groups. But there is not one single new program that is going to create one new job or do anything to get the economy going. They have put a lot of money into lessening the impact on people who are being impacted by the recession. I would suggest that what it should be saying is, "We chose to relieve some of the problems caused by the recession." But they are not fighting it, because they are not doing anything. If this continues, next year they are going to have to put more money in and more money in, on a declining revenue base, because there is no confidence in what is happening. Do you have any comments on that?

Mr Baker: I think there are a number of areas in which the provincial budget was not simply engaged in a set of countercyclical measures but did begin to introduce elements that a successful industrial strategy would require. Among those would be the impetus the housing industry is receiving. There is a commitment to construct a number of units, which I think will stimulate economic activity in the housing sector, which is a lead sector and provides a lot of backward and forward linkages for other economic sectors in the durable goods manufacturing area.

Mr Sterling: You use a \$3.6-billion drop in federal subsidies. Just looking over Floyd's own budget paper, it shows that it goes from \$5.8 billion to \$5.4 billion. I add that up to be \$400,000, not \$3.6 billion. But that is not my question, because the \$3.6 billion is a never-never figure and does not take into consideration the transfer of tax points which has been in place for about four or five years as well. So it is really dishonest to deal with that in isolation.

Could you explain better for me, "There is considerable evidence that there is a direct relationship between productivity growth and public spending." Is that inversely proportional or proportional?

Mr Baker: As you have asked, I will be glad to tell you that that is a direct proportional relationship that exists between public sector expenditure on infrastructure and productivity growth rates. That evidence has been accumulated from a number of different sources including the United States and members of the European Community as well. I noted that even the Ontario budget paper E cites some of those studies in that direct relationship existing between public sector expenditure increases and productivity growth increases.

Mr Sterling: Do you really believe that?

Mr Baker: I think in fact that a fundamental requirement to developing a sustainable, prosperous economy is to see infrastructural spending more broadly than simply as a Band-Aid on different economic, cyclical items and to look at the positive contribution and the multiplier effect that government spending can have. I will not spend a lot of time on this, but I can recall that the interstate system of the United States, when it declined over a 10-year period in the 1980s, had a significant impact on productivity growth rates in the United States.

The Chair: Sorry, we are really out of time and have to move on.

Mr Sterling: But does increasing provincial civil service salaries by 10% increase productivity?

The Chair: Sorry, I am going to have to move on to the government question.

Ms M. Ward: I would like to thank you for your excellent presentation. I think you gave us a very good background on causes and effects, the implications and the effects we would have seen if we had cut services and so on, and some good recommendations. One thing I would like you to comment on is what the situation is like out there right now in people terms. What are the social costs of this recession?

Mr Baker: We have itemized a number of those, but the human faces on those types of statistics are important to recall too. It means that to the extent we had turned our backs on the disadvantaged in the last budget, we would have been ignoring the crisis that is happening in Ontario in terms of, for example, to take one instance, the homeless that exist in Metro Toronto alone, estimated at anywhere between 10,000 and over 25,000, half of those under the age of 18. There are 4,000 shelter beds available to address that need. If the budget had not instituted a set of measures which were aimed—for example the \$215 million in new program spending in Community and Social Services—I think it would have just been a disaster there, and that is just to take one case.

Ms M. Ward: With implications for years to come, possibly.

The Chair: I am sorry, we are out of time. Thank you very much for your presentation this afternoon. If there are other questions, I think the members could get in touch with you privately.

Mr Baker: Please do.

1510

ALLIANCE OF CANADIAN CINEMA, TELEVISION AND RADIO ARTISTS

The Chair: Our next presentation this afternoon is ACTRA, Meg Hogarth, president, and Neil Dainard, Toronto performers branch council. There are more copies of the presentation coming.

Mrs Sullivan: The last presenters gave a very interesting presentation and I think we all would have appreciated a little more time to question them. I wonder if we could ask the presenters if they could attempt to compress

the presentation, so that we do have more time for questioning towards the end.

The Chair: I think that would be fair enough.

Ms Hogarth: I appreciate your comments. I think as performers we know exactly what it means: cut time.

Mr Christopherson: If that is done, is there a mechanism whereby the full context of a submission can be included in the Hansard, even if it is not fully read? Is there a mechanism for that?

The Chair: I believe the submission is given to the Hansard reporters and it is included in its entirety, even if it is not spoken? No, only what is spoken is included in Hansard.

Mr Christopherson: So you can lose things you do not say.

Ms Hogarth: Thank you very much. Good afternoon to you, Mr Wiseman, and members of the committee. We are delighted to be here,

I am Meg Hogarth. I am the national president of the Alliance of Canadian Cinema, Television and Radio Artists, ACTRA. I am a Toronto performer. With me today is Neil Dainard. Neil is a member of the Toronto performers branch council, and you probably recognize Neil from the popular CTV series ENG.

ACTRA is an alliance of guilds which represents performers, writers and broadcast journalists working in the English-language recorded media right across Canada. We negotiate agreements. We do this with engagers in broadcasting, in independent production, commercials and film, and these agreements set the minimum rates and basic working conditions for our members. As well, we advocate public policies designed to create strong Canadian broadcasting and film industries. We do so not only to provide work opportunities for our members in Canada, but also to provide Canadians with genuine programming choices.

I understand that you have a very full agenda, so I am going to cut to the chase here and try to be as brief as possible. I have four basic points I would like to make today. First, the film and television industry is a vital part of this province in many ways. Second, like all elements of the cultural industries, that vitality is dependent on public policy and funding at three levels of government. Third, the Ministry of Culture and Communications' contributions to the industry in the 1991-92 budget is in our vision admirable but, fourth, the Ministry of Culture and Communications deserves an even bigger share of the province's expenditures.

The film and television industry is, as I have said, a vital part of this province in more ways than one. Too often the arts are seen as a kind of frill of élites spending enormous sums of money on activities which have a very limited appeal to a small number of people. The arts are characterized as a frill or something that the Legislature has to justify spending money on. Our particular art—film, television and radio—could not be more accessible. Almost everyone in Ontario has a television set and if they cannot find a baby-sitter to manage an outing to the movies, then the local video store will provide them with something they can watch at home. What is more, we

could not produce the films and TV programs we do without the support of writers, technicians, costume designers, makeup artists, the whole infrastructure of all the artistic activity.

Mr Dainard: In Canada we talk about culture. South of the border they talk about the business. At ACTRA, we think we are leaders when it comes to the defence of creative expression and its contribution to our sense of nationhood. But we know full well that what we do is a business. Our business is as a producer, employer and significant contributor to the province's economy.

You can probably see that we are not here to preach today. If anything, we would like to leave you with a sense of pride in the film and television activities that are going on in this province, and if we are lucky, we might secure your commitment to further support them in years to come.

A recent study by the Ontario Film Development Corporation, the OFDC, showed that in 1989 the industry employed 35,000 people in Ontario and contributed \$5.4 billion to the economy. Those numbers are the reason that 6,500 ACTRA members, or 65% of our national membership, choose to live in this province and work in this province. The benefits to viewers in Canada and abroad are enormous.

We would love to be in a position to say that our industry is self-financing, but it is not. The very proof of the impact of the Ontario industry was determined through a provincially funded study. Another study commissioned by ACTRA but supported by both the federal government and Ontario determined that our industry's profitability and success is dependent on public policy and funding at three levels of government. It is dependent on public policies like Canadian content rules, it is dependent on regulations like increasing the commitments of Canadian broadcasters to Canadian programming and it is dependent on government spending through direct funding, investment and tax incentives, federally through Telefilm Canada and provincially through measures like the OFDC's Ontario film development program. Even the municipal governments are involved through promotional offices like the Toronto film office and liaison with the police to keep traffic flowing around the areas we are shooting our films in.

That brings us to our third point, praise for the Ministry of Culture and Communications' contributions to the industry in the 1991-92 budget. Particular to our interest was the minister's announcement of \$31 million for the film and television industry, and within that the \$15.4 million this year for the film investment program called OFIP administered by the OFDC.

Without OFIP, the program that I work on, ENG would have had a more difficult time getting off the ground and continuing on into what is now its third year, and so would innumerable other projects, such as a new TV series called Counterstrike which is currently in production, projects like David Cronenberg's new film based on the William Burroughs novel of the same name, *Naked Lunch*, and projects which have complex financing with both public and private capital.

Ms Hogarth: Finally, we would like to put to you the case for increased funding from MCC for next year. That

ministry's share of this province's expenditures dropped between 1989 and 1991 by 0.08%. That does not sound like a whole lot, but it is significant. It amounts to \$38 million. We are not alone in suggesting that MCC's share of the provincial pie should be at least 1% of the province's expenditures.

Our industry is vital to the province. It contributes to the financial wellbeing of the economy. But the riches of a society are not calculated or evaluated in its credit rating. The arts of a society are the true reflection, and we at ACTRA work in an area whose product is accessible to everyone. Our business is reliant on a fragile arts infrastructure and on government policies and funding at the three levels of government. Without support from this legislature, our contribution would be a lot less.

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Mr Dainard: There are probably many other topics which we could discuss with you. We could explain how attractive our industry is to an increasingly environmentally aware society; we could talk about how the visibility of our industry gives Ontario an international profile; or we could discuss how the products of our business—films, TV, radio, commercials—reflect Ontarians to each other, equally and without prejudice. But perhaps it is time for you to get some air time and we welcome the opportunity to answer your questions.

The Chair: Thank you. We have approximately five minutes for each party and we will begin with the Progressive Conservative Party.

Mrs Cunningham: This is not the first time we have heard from your group. I can remember hearing from your association during the discussions on the lotteries and the lack of direct funding to the arts and to culture, so it is interesting once again to hear from you.

I am wondering if you can give us some idea of this 1%, when you first heard about it or when it was a guideline perhaps for the government of Ontario. Give us a little bit of a history on that one.

Ms Hogarth: The history is Canadian history. It was actually the Liberal government in the province of Quebec that initially made that proposal. It has not been able to completely follow through on it, but that was certainly the goal of that particular government.

You know, when we are talking about television, we are talking about something very germane. We are talking about children who spend more hours in front of a TV set than they spend in school. It is a powerful, powerful social force. It is not just a force for arts. I mean, you have only to sit and watch television with a kid. When the commercials come on, what do they do? They watch. There it is, even the commercials are telling our society what we think about each other and what we think about ourselves as Canadians, and Ontario has the leadership at the moment in film and television production.

Mrs Cunningham: Okay. My second question relates basically to what you have just said. I can remember, as a school board trustee from London many years ago, being part of the commission that looked at the effect of television on children. At that time we encouraged the govern-

ment of the day to put money into the educational television series, and I am wondering if you have any influence or impact on the programming or any co-ordinated working relationship in the co-ordination of the programming for children that is a part of the education budget of Ontario with the work that you do.

Ms Hogarth: Many of our members are employed as writers and as performers on TVOntario and we negotiate contracts with TVOntario which, frankly, are more favourable contracts than we would negotiate with independent producers, partly because it is an educational medium. It is a medium that provides a good base of work, particularly for new writers and young performers, the Polka Dot Door and those kinds of programs. I think we would like to see a far more actively creative role being played by TVOntario, but that, like everything else, costs bucks.

Mrs Cunningham: I guess the third one has to do with what you said about the advertising. Do you do any consultation with the ministry of consumer affairs?

Ms Hogarth: Yes, we do. We do at different levels. I am talking about we, elected actors, who also have met over the years with various governments. When various governments have been in power, we have met with that ministry to urge various ministries to produce videos that use professional talent. I have also met with them frequently myself on behalf of the women's committees of ACTRA in an effort to improve the presence of women, both in voice-over work and in their representation of women. Of course, we are fighting that battle at the moment at the CRTC over the sexual stereotyping issue.

Mrs Cunningham: I just wanted to conclude by saying I am especially appreciative of your remarks with regard to your role as it affects our nationhood. I congratulate you for the positive influence you have had, not only in young people but I think everyone.

Ms Hogarth: Thank you. Our thanks to those of the rest of you who make the decisions that in part help us do what we do.

Mr Jamison: Thank you for a very good presentation, I think it was very informative. We talked about the benefits of the arts to the economy, for example, the stimulus that can be created there. You also talked about national unity and how our own participation in the arts adds to that. I wonder if you could expand on that.

Mr Dainard: I do not know if I will answer the way you wish perhaps, but I am a bit of an example of an experiment in nationhood in that I was one of the first actors to go and study at the National Theatre School of Canada. That was a great experiment in co-lingualism, and I feel that I am part of the national fabric of this culture in that I have been a pioneer for 30 years trying to get theatre growing, and my roots are as much in Quebec as they are here, because I trained with French actors and actresses. I think there are many of us spread across this country who went to the National Theatre School who feel the same way, and I think everywhere we work we tend to promote co-lingualism and the brotherhood of working in this culture.

Ms Hogarth: Last year in Ontario there were several productions of French plays. I think specifically of Michel Tremblay's *La Maison Suspendue*. Lilies was another. There were many productions that were mounted in Ontario in English or French-language plays that make, I think, a real statement about Ontario's openness to a multi-cultural environment.

Mr Dainard: I urge you all to see *Le Cirque du Soleil* as a great example of that—no language necessary.

The Chair: Further questions?

Mr Christopherson: Yes, I wanted to pick up on something said by Mrs Cunningham regarding the nationhood issue and the importance of the OFIP, the Ontario film investment program, and the \$15 million. I can remember doing the pre-budget consultation on behalf of the Treasurer and meeting with a group of your representatives talking about that, and the message came through so clearly for us that this was just something at this time in our history we could not afford to be turning our back on. Like you, I am very pleased that both the Treasurer and the minister responsible were able to find the money and ensure that we did not drop this most important ball in the middle of play.

The question I would like to ask you is regarding that part of the arts that you represent. Perhaps you could give us a couple of illustrations of what impact this recession has had on your people and on your industry.

Ms Hogarth: It has had an enormous impact. Most performers, at least a large majority of our membership, certainly in Ontario, earn a base income through doing commercial work, because commercials pay residuals over time, and our commercial income in the past year, which we see as a direct result of free trade, is down \$18 million. That translates into a lot of hardship for a lot of actors. As well, production generally is down.

But I would like to refer specifically to OFIP, because many other provinces have a film investment program of one kind or another, but OFIP to me is very distinctively stronger in that it makes a very strong case for Canadian programming. ENG, for instance, would never have got off the ground, and it certainly would not be going into its third year without OFIP, and ENG is a show which is honourably Canadian. It is not trying to disguise itself as coming from another country or being set in another city. This is a real Canadian show that has a tremendous following in the States. When some of our members were down in Los Angeles trying to encourage American producers to come up and use Ontario as a location, everybody wanted to meet anybody who had been in ENG. You know, anybody who was just attending the forum wanted to meet the ENG people.

For instance, if OFIP had not come through when it had, and it was absolutely vital at that time, one of the most reputable Canadian independent producers, Atlantis Films, would have taken a production called *Maniac Mansion*, which had shot for a year here, to Edmonton. Why? Because he would not have had to pay certain kinds of taxes in order to shoot in Edmonton, and although film and television budgets look as if they are huge, they frequently

fly or fail on a very small percentage of the budget. So the fact that OFIP came through when it did meant that *Maniac Mansion* stayed in Ontario, and that is work for Ontario residents, writers and performers, but it is also for the people who cater the food on the shoot, the makeup artists, the people to drive the trucks and the electricians who change the lights. It is work for many, many thousands of people.

1530

Mrs Sullivan: I have been quite interested in your presentation today, and I think we might ask our researchers to look at some of the studies on the economic impacts of the arts, and there are some very good ones in Ontario that might be of interest. I was quite taken, actually, by the positive approach to this budget because in fact I do not see much positive in this budget for the arts. I see a capital spending which has decreased substantially over the previous years, and I also see operating dollars which as a proportion of the total budget are in fact stable or virtually in decline. Similarly, on the film development projects, program, there is not an increase. You are still working within a stable budget which, given the inflation rate, is a decline. I am quite taken aback by your positive approach to the budget when in fact your industry has been hurt by it.

I know that many people who belong to your organization perform not only in film, television and radio but also in live theatre. We have seen a decision of the current government to decline to participate in the Opera Ball at the House, which would have provided a venue that would have been very useful for a sector of performing artists but also for people who are associated with other sides of performing arts. I am thinking of lighting people, musicians and so on who are also involved in film and television and the kinds of work you two are both involved in. There would also have been a spinoff and in fact new places.

I wonder if you could comment, first of all, on the declining share of proportion of commitment to the arts, and, second, on the opera ballet centre and the impact you think that has had.

Ms Hogarth: I would be glad to. It is true. As I said, it represents a \$38-million decrease for us just maintaining where we are at, but the economy as a whole is even more devastating to our industry at the moment. As I tried to explain, to get OFIP at this moment, when literally it was ending and there was no commitment—this was something the Liberal government had put in place. It was a two-year commitment and there was no commitment beyond that, so the fact that this budget has made that commitment for another two years is literally a lifesaver. That is where the enthusiasm comes from. But also in my remarks, which I noted you paid close attention to, I was making the case for an improved commitment come the future, come next year. Yes, sure, thanks very much, that has been great, we do not want to be hopelessly greedy but we do want our share to increase, to improve.

Mr Dainard: As for the Opera Ballet House, some of my colleagues may break my ankles in a couple of weeks but I think that for 30 years this country, provincially and

derally, has contributed to the arts in a major way in terms of buildings. They have really outdone themselves in terms of the number of buildings. When I trained in the 1960s there was no theatre for me to go to. By the time I graduated there were dozens of places, and a decade later you cannot count them. I do not think that is wrong. I think it is time now that we turn to looking at people, and in the arts—I am one of the fortunate ones. I am working, and I have always worked, but my colleagues struggle at the poverty line and it is time they got some benefit, so opera ballet people, forgive me.

Mrs Sullivan: Where do you see that coming? How do you see that coming?

Mr Dainard: If you are saving millions of dollars by not pouring concrete, I think you have a few dollars to contribute to productions, and sending yet another flagship production to Europe to brag about culture in this country, which happens a lot, to go into other projects with a few dollars.

Ms Hogarth: There is a project being put together right now on stage. It is called Up Front. It is going to be in the latter part of September. There are going to be 11 productions from across this country, including a production from the Inuit people in the north. They are going to run for a couple of weeks in downtown Toronto.

I do not know what the total budget for this particular venture is, but it is not a huge budget. It is an incredible opportunity for people in Ontario to be able to go and see plays from every region in this country, and they are using a whole bunch of different venues, different theatres. In fact, I gather some of it is actually going to be taking place on the street.

So I am with Neil on the one that puts the money in the people and in the ideas rather than putting the money in the buildings. Money in the buildings is great when you are in times of growth and times of great prosperity. Of course, perhaps our colleagues in the building industry would say to us, "The heck with you, let's start building those buildings." But I do think there are ways.

One of the other reasons I am making a strong case for Up Front is that I have a 20-year-old who has a summer job there. Originally his attitude was, "\$5.50 an hour, you have got to be kidding." I mean, this is a boy going into third-year university. He feels he needs to earn more money than that to get himself off the ground for his next year in university. But most of his friends do not have summer jobs and these kids are going to have to go to school and pay their way next year, so it is tough times everywhere.

The Chair: Thank you very much for your presentation. The time is up.

Ms Hogarth: Thank you. We enjoyed meeting you all and we thank you very much for this and we will be back next year for more.

Mr B. Ward: That is a great show, ENG.

Ms Hogarth: Is it not a great show? And all-Canadian, Canadian scripts, Canadian writers, everything.

1540

NOMURA CANADA INC

The Chair: Our next presentation is a return engagement of Mr Leo De Bever from Nomura Canada Inc. Thank you for returning to the committee. The Thursday we had you booked became, as I predicted, a special day for the Liberal Party and we are grateful for your indulgence in returning. So if you could begin, it will be on the same format as the previous two presentations.

Mr De Bever: You asked me here to comment on the first NDP budget. I have some serious reservations about this budget, not so much for what it proposes during the current recession, but because of the deteriorating long-term fiscal position it projects between 1992 and 1995. I think that with the projected expenditure profile it will be very difficult to keep the deficit from rising faster than indicated in the budget without further increasing taxes.

The Treasurer has indicated that he is expecting any criticisms to be accompanied by suggestions on how to do things differently. Given the mood of the province about tax increases, one suggestion might be to see if more cannot be done with the same amount of money. That may seem like a trite suggestion, but I think in many ways it is not clear that money alone is the problem here.

Another suggestion would be that I think there should be more advice not from just economists but also financial analysts about what needs to be done. I understand that some people before this committee have testified in favour of the budget, and I do not expect everyone to agree with me, but generally speaking I find the budget expresses very strong views about what is fair from the standpoint of income distribution, but it pays very little attention to the consequences of specific policies for the viability of the Ontario economy and Ontario enterprises.

There is a strong belief in the business community that this government is hearing but not listening. The budget expresses the need for a partnership between labour, government and business, but the aftermath of the budget shows that this is just not happening.

The people of Ontario elected the NDP government and as such you have the right for four or five years to produce your agenda, but the priorities on that agenda are somewhat different than they would be otherwise and I am not sure that the policies set out in the budget will have the intended results.

The budget's goals of efficiency, prosperity and equity are hard to disagree with in principle but difficult to implement in practice. For instance, the budget makes the point that the business idea of productivity growth is cutting costs and goes on to argue that the focus should instead be on raising productivity. It is really not a point to disagree with, except that there is a problem of timing. Business cannot afford to wait for productivity growth to catch up with wages, payroll taxes, minimum wage laws, plus pay and employment equity provisions.

In that context, I want to draw your attention to the graphs I included with my text that show the development of the distribution of GDP since 1947. These are Canadian numbers. The Ontario numbers would look very similar.

The graphs dispel the notion implicit in parts of the budget that the income distribution in Canada and in Ontario has somehow been shifting away from the ordinary worker towards business interests.

You see the first graph on the first page indicating, in fact, that over time the share of wages and GDP has been rising, and that during the period of the early 1980s when we enjoyed our fastest employment growth the share actually fell, and that over the last few years the share of wages and GDP has again been rising to where now it is close to its historical high. The graph below indicates that the reverse has been happening to profits, and right now the share of the profits and GDP is at its lowest level during the period these numbers have been collected.

The recession has hurt a lot of people, but not all of these people are workers; a lot of these people are small business operators and to a large part they are going to have to give direction to the future creation of income for the whole economy.

In terms of specific comments on the budget, I share the budget's positive assessment of Ontario's economic potential. I do not think anybody disagrees that overall we have a good quality of life and that we have a high level of education for our labour force. If it is true that we are going to have substantive immigration during the 1990s, as I expect, Ontario should get a good share of these additional immigrants and that will boost the local economy.

But my problem is with the course of policy which accentuates some of Ontario's negatives. Ontario's competitive position has deteriorated significantly over the last business cycle. Wage growth has increased 1% to 2% faster for a number of years than in the United States, eroding the wage advantage we enjoyed coming out of the last recession. Excessive public and private growth has driven up operating costs in urban areas, which is the industrial heartland of Ontario. Payroll taxes and property levies have aggravated the competitiveness problem. Finally, Canada's large need for foreign financing has saddled us with high interest rates and a strong currency.

The solution to these problems has to involve reduction in unit labour costs, even if this means lower real wages for a while. It also will require a serious attempt to reduce the impact of government levies on the cost of doing business.

There is no real sense in which business tax can substitute for personal taxes. One often hears the argument that business somehow is not carrying its share. The facts are that business will move to where costs are lowest and individuals will only tolerate high taxes if there are compensating factors. The fact is that Ontario with or without free trade is competing for tax base and talent with other provinces and with a number of US jurisdictions.

Even if all goes well, prospects for manufacturing employment, which tend to be the focus of a lot of discussions in the press, are limited in any case. In 1982, I provided a 10-year forecast indicating that prospects for employment growth in Canada's manufacturing sector would be minimal between 1982 and 1991. It turns out that was a correct assessment, and I believe that it will again be for the next 10 years. The basic reason is that productivity growth in manufacturing is roughly the same

as the growth in demand for manufactured products. Hence, output expands but employment does not.

The only way to remain competitive in that environment is to have an enormous machinery and equipment boom to rationalize our industry for a North American market. This will preserve production but not manufacturing jobs. However, such a boom can only materialize if business can be convinced to spend more money here. I am concerned that without stronger signals from government that all will be well, investment may be considerably lower than it would have been.

I am turning to revenue and expenditure projections. It is true, as the budget indicates, that the automatic stabilizers—meaning the income support programs—are a main reason why the budget deficit rises as quickly as it does, it ought to be true as well that the recovery of the economy should reduce the cost of income support programs quickly. That is not happening in the budget. Instead, government current expenditures rise at the rate of nominal gross domestic product during the entire period.

The justification for accelerated capital spending in the budget is in part the need to stimulate an economy in recession, but if that is true, it is not clear why deficit-financed investment continues throughout the recovery. I have some concern—more than some concern—that the impact of anti-recession spending will be largest when the economy is already recovering, which I expect to be happening later on this year.

The budget argues that the treatment of capital spending in previous budgets is inappropriate and that therefore things are not as bad as they look. Now, I agree that we should not treat true capital spending as current cost. However, the new treatment of capital outlays is not correct either. It proposes to write off new capital spending over a 20-year period. There is nothing wrong with that, but it severely understates the social cost of public sector capital already in place. A better solution would be the one used in the national accounts, and that is to calibrate deficit targets by including in current spending estimates of capital consumption allowances on the stock of public sector capital. In other words, you are including only the amount of capital that you consume in projecting your deficit. I suggest this would show a far less flattering picture than is implied in the current budget.

There is a lot of reference to debt-to-GDP ratios and comparisons with other levels of government. I think most economists would agree that over an entire business cycle economic policies should try to keep the debt-to-GDP ratio from rising and, if possible, to reduce it. That may imply rising debt-to-GDP ratios during a downturn, but fiscal prudence demands that the cyclical deterioration be corrected as the economy recovers. The budget, in fact, projects that the debt-to-GDP ratio will rise from 15% to 21% by 1995.

Now, if we assume that the next business downturn will be somewhere around 1996 or 1997 and that it will result in the same kind of cyclical deterioration as in 1990 and if you follow the same kind of philosophy that is implicit in the budget, the ratio of debt to GDP could easily reach 30% by the year 2000, which to me seems

ly unattractive. You have to take into account that this is true if interest rates stay as low as projected in the budget—I take it those numbers were taken from federal sources—and those interest rates will only stay as low if the current policy, which is not particularly popular in Ontario, of trying to drive inflation down succeeds.

In a number of places the budget points out that financial ratios, like debt to GDP, compare favourably with the same figures at the federal level. Unfortunately, that is not an appropriate comparison, because federal and provincial governments draw from the same tax base and there is no particular merit in indicating that the province is not doing things as poorly as the feds.

There is also a contention that Ontario will not fall into the federal trap of having to pay 30% of revenues in interest charges, and I agree that the province is not in immediate danger of doing that, but let's just go back and see how the feds got there. They got there because in the 1970s it was decided that we could and should spend more money in a variety of transfer programs to individuals, to businesses and to the provinces, and it turned out that it proved to be very difficult to contain that kind of spending once it was in place, because those who benefit tend to be more organized than those who oppose. Yet at some point we must decide on the level of spending we can afford.

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For example, the Ontario budget complains about federal attempts to restrain transfers to the provinces. The facts are that transfers to the provinces make up about one third of the federal deficit and they are a legitimate area of restraint when resources in general are not sufficient to follow through on commitments made in earlier years; commitments, to my way of thinking, made without proper regard for the long-term cost of those promises. That unfortunately is the case not just in the official numbers that are being projected in the budget but in a whole host of other programs that are in the pension sphere, where contingent liabilities, to my way of thinking, are not properly accounted for.

Any attempt to blame federal policy for Ontario's predicament is largely misplaced. Because of our large foreign debt and the need to place a lot more every year over the next few years, Canada has lost control over some aspects of monetary policy. Those who agree that we could devalue the dollar and lower interest rates to get us out of the current problems ignore the reality of international capital markets.

Part of the reason the Canadian dollar has remained high is that foreign borrowers are extremely sensitive to currency fluctuations. I was in Tokyo a few weeks ago. There is a report published by the Canadian embassy indicating that Japanese investors alone hold something like \$45 billion of Canadian debt. In my visits to some of those bond holders, I find that the most sensitive variable in their evaluation is the currency. So a response like we saw last week to what initially was a very minor event in the currency market is likely to be repeated, because I do not think the Bank of Canada feels that with the amount of foreign debt we have been floating, particularly fixed-

income foreign debt, it really has the ability to gradually move currency in either direction.

Foreigners like Canadian bonds right now because they have a higher yield, they are a close approximation of US dollar debt and they perceive Canada to have a limited currency risk. If any of those factors disappear, we may have a serious problem on our hands. In fact, without a stable currency and yield premium, foreigners have little reason to favour Canada or Ontario over Australia, Denmark or any other part of the world.

The budget makes the point that improving human capital formation and improving government efficiency in delivery of health and education are good long-term objectives, but the strategy for achieving these objectives, I think, needs clarification. It does not explain how the budget aims to achieve its goals with the spending programs that are being proposed and whether all this will occur in time to generate the productivity increases that are going to allow business to pay the wages that are being suggested.

The principal weakness I see in the health and education system is that there are few incentives for superior performance and few ways of measuring whether the resources committed to this function are having the intended effect. There is a study out by the C. D. Howe Institute which I recommend highly. It is called *Big Spenders: Provincial Government Finances in Canada*, by Irene Ip. It deals in part with this issue and makes a number of recommendations, most of which have to do with putting efficiency and incentives in the right place.

One way to induce efficiency is to have resource allocation respond to scarcity as signalled by prices. I know that is anathema to some members of the NDP government, but I think experience in socialist and capitalist mixed economies has shown that any goods or service that are being offered at below cost are likely to be overconsumed unless there is some incentive provided to prevent that.

The budget argues that workers have seen their standard of living decline, so it is not fair that they be asked to rein in wage demands in the name of productivity. However, there is no guarantee anywhere that says we have a right to a constantly rising standard of living. If there is one message that is coming through in the statistics of the 1980s, it is that growth overall, despite quite strong employment creation, has not been strong enough to provide that constantly increasing standard of living. Real income can only rise when real output per worker increases or when an economy is lucky enough to produce goods and services that rise in price relative to the goods it consumes.

I think Ontario has some problems in that area. We are a small, open economy; our business cycle is driven to a significant extent by international trade, so we do not really control our rate of growth very narrowly, and by accident of geography we are very closely linked economically with one market, the industrial economy of the United States. Whereas many of our industries were geographically isolated until the 1970s, we now face competition from the Far East and even from some developing countries. The blunt fact is that we are just not keeping up in

productivity internationally. We are losing on price in industries like auto production.

The final point I would like to raise is, granted that we are in some trouble, is it really ethically justifiable that one of the richest economies in the world should borrow to finance its government over a prolonged period of time?

Again, I want to make some distinction between, say, the last year and maybe the next little while, when we still have repercussions from recession. I think the government should recognize that since we enjoy one of the highest standards of living, there has to be a point where we have to recognize that while one can always wish prosperity to be higher and more evenly shared, that is not in itself justification to go and borrow to make that possible.

It is very hard to make the case that our needs are so pressing that they require us to compete internationally for savings of other countries that could be going instead to finance private and public needs for capital in eastern Europe, Latin America or the less developed countries. I find it ethically objectionable that as a province we are borrowing instead of lending, and I would have thought that such sentiments would be even stronger in the NDP government.

I conclude that once we are on a deficit track of \$8 billion to 10 billion, as the budget projects, it may be very difficult to get back quickly to a balanced budget or a surplus, as I think we should, over the next four or five years. I also feel that the repercussions of the deficit projected to 1994-95 are far more serious than is implicit in the budget documents and that the GDP numbers' increase is far more serious than is being indicated.

The budget outlines some goals that we can all agree with, but the strategy to achieve them, to my mind, is not made clear. I think the main point to be made is that in a world of limited resources, this budget does not address tough choices among competing needs and does not confront the question of what is reasonable, not just for wage earners but also for their employers.

I think the first order of business for the Treasurer should be to build some bridges to the business sector. Without that, Ontario's economic recovery could be a lot weaker than it needs to be.

The Chair: Thank you. We have about 12 minutes per party, beginning with the NDP. Mr Sutherland.

Mr Sutherland: If I could just go over your graphs here for a minute, I was having a little trouble reading them. The first one, wages to GDP?

Mr De Bever: Right. This is total labour compensation relative to—

Mr Sutherland: Okay. So the squiggly line going up is the wages, and you are running on a base GDP.

Mr De Bever: No, no. This is a proportion: out of every dollar of GDP, what proportion is going to wages. So what you see is, between 1947 and 1976, that proportion rose from 48% to 57%. You see that right after the last recession, in 1983, when the proportion was low, we had very sizeable employment creation, because of that in part—we had a comparative wage advantage—and that advantage has been eroded over the last few years. In part, that is a cyclical phenomenon. Wages tend to be rising as a

proportion of GDP during business downturns, but I think it also reflects a reduction in competitiveness.

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Mr Sutherland: In your presentation you have talked about different issues. You have talked about some productivity issues, you have talked about their impact, you have talked about the provincial perspective. You point out that we are in an international trade market, but while we are international, we seem heavily influenced by our neighbours to the south. The fact that we are in an international trade market and have to deal with that reality also indicates, though, that we do not have jurisdiction over all the factors influencing Ontario. I did not see much comment in terms of federal policies' impact. You did discuss interest rates and the dollar a little, and they certainly have an impact on manufacturing.

In pre-budget consultation we heard from different people indicating that there was some room to move interest rates, not actual interest rates but differential between ours and the US. I would like you to comment on that and maybe on some of the other federal policies that have had a significant impact in the eroding of our manufacturing base and, for that matter, the provincial government tax base.

Mr De Bever: On your first point about interest rates and the differential with the US, that differential has come down dramatically over the last year. Unfortunately, our economy has the tendency to be inflation-prone. Initially, the monetary policy of the Bank of Canada was instituted because of a perceived problem in Ontario. We do not have that problem any more, at least the problem is not nearly as significant as it used to be, but now we have it elsewhere.

So the problem is that we seem to have a very difficult time keeping inflation under control and, as a result, particularly given the fairly loose fiscal stance at the federal and provincial levels, it has been very difficult to bring interest rates down.

Will they come down further? My sense is that they will. However, I feel, partially because of the large amount of fixed-income debt we have floated over the last few years, that we have lost the ability to bring interest rates down suddenly.

We have had two exchange crises now over the last two or three years, and in each case they were brought about by movements in interest rates that were fairly small. I suggest that the reason for that is that foreign investors, the moment there seems to be any trouble with Canada and its exchange rates, start selling the dollar. That, in turn, makes it very difficult afterwards to keep inflation down in the long run and to keep interest rates down in the long run.

You talked about other policies responsible for Ontario's predicament. I presume you were referring in part to free trade and its impact on employment. When free trade was negotiated, most projections, including some made, felt there was going to be an adjustment period of two or three years during which something like 70,000 to 75,000 jobs would be lost. We have lost many more jobs

that over the last year or so. However, if you look at the US, it has lost a very significant part of its industrial base as well and for many of the same reasons. The fact is that North America as a whole, and that includes us, just has not been very competitive internationally. Again, I think the future is not in the industrial base.

Are there any other policies you were referring to?

Mr Sutherland: No, that is fine. I think it is important to note, though, that promises and commitments were made by the federal government in the last election that if it supported free trade, yes, there will be adjustment but adjustment programs will be in place. I think it needs to be noted for the record that many people are still waiting to see where those adjustment programs are coming and where the federal government's commitment is to dealing with the restructuring as a result of the free trade agreement.

Mr De Bever: That may be fair comment, but let me add that whether you like or do not like this particular agreement, I think we had better come to the realization that whether it is with Mexico or the US, free trade is an inescapable fact of life, and the focus ought to shift on how to deal with it rather than on how we oppose it or limit it.

Mr Jamison: Listening to you I heard, of course, the word "productivity." You made special reference to a graph about wages and how wages on that basis had increased. I find that puzzling, but productivity is not just wages. Productivity is, for example, building an infrastructure that will equate and promote business, and I think our government has put forward a multibillion-dollar plan to do that.

Research and innovation: The Ontario technology fund will provide \$131 million for research and development and technology diffusion. That also has a great deal to do with productivity and competitiveness. That includes \$81 million for programs to support leading-edge research in such areas as robotics and telecommunications via technology. We have also instituted a \$57-million program called the manufacturing recovery program to help viable businesses through this short period of time.

Number one, I would like to understand your definition of productivity. Secondary to that, I got the indication that we simply were not doing enough for business, and the question to you is: How much is enough?

Mr De Bever: A lot of businessmen would not say that you have to do more for business in terms of spending money. In fact, a lot would argue that you probably should spend less, pull back from trying to get in business ventures altogether. I think the best strategy for the government to promote business is to facilitate the environment in which business takes place, that is, to keep taxes reasonable, to have delivery of services required for business be reasonable; otherwise, let them make their own mistakes. In fact, it is very easy to come up with 10 projects where the government got involved and got its nose bloodied because it made the wrong decision. It is very much harder to come up with a list of 10 projects where the government did not get involved and we have a stellar project we can refer to and say, "This is what government should be doing."

On the high-tech thing, if you think you are going to promote productivity through high tech, forget it. High-tech basic research is not where you are going to get your productivity. If you are going to put any money in that area, get it into the quick dissemination of the application of high tech. The production of high tech itself is a very minor ingredient both from an employment and an output point of view.

On your first question about what my definition of productivity is, what I was trying to show with this graph is not that this represents productivity but that any perception that somehow labour has not shared or wages have not shared in prosperity in the last 10 years is just misplaced. The true definition of productivity in fact shows that productivity relative to the United States has improved in Ontario relative to the United States over the last five years. I think the gap between us and the United States in real productivity output, real output per worker, is only about 5% versus about 10% or 12% about 10 years ago.

What has not changed and what has changed against us to our detriment is that the wages we pay out, the unit labour cost, has increased faster than the prices we are selling our products at. I think that is a problem, because that implies that declining productivity you see on the second graph on the first page.

Mr Jamison: I would just like to clarify something. Technology that has come in to manufacturers has reduced the labour force very significantly in many cases, but it has also caused a combination of skills within the workplace. The workforce has dropped, yet the wage level has gone up in compensation for the multiskilled or multicrafted kind of work going on within the new technologically advanced plant. Your graph does not take that into consideration specifically and that is why I think it really does not reflect the productivity of those types of plants compared to what they were 10 years ago, making widgets or whatever.

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Mr De Bever: Ultimately, you can only pay out in salaries and profits what you earn from your exports or from your production. The plain fact is that we paid out more than we are earning. As a result, you have a 5% share of profits in GDP whereas a more normal level would be double, so I am flagging that as a significant structural problem.

Mr Sutherland: Picking up on that productivity level, I had concerns about what you said, that wages seem to be the only way. For example, one of the manufacturing plants in my riding has made significant productivity gains through several things. It did an environmental analysis on the amount it was putting out, reduced its garbage by 80% and found that in some of its operations, including the painting, by making certain adjustments it cut its costs that way. When we look at energy efficiency, co-generation, another plant is making great strides that way. Also, this plant that has realized savings by cutting down its garbage output by 80%, a unionized plant, has gone from the more traditional assembly line production to a workstation production and found it is producing more units per hour. In other

words, there are many ways in which Ontario business can improve productivity without necessarily cutting wages.

Mr De Bever: I have no objection to that. In fact, many economists would suggest that a lot more negotiations should be based not on hourly wages but on a "fair share" of the revenue being generated by production. I have no problem with that. All I am flagging to you is that in the aggregate, that is not happening. Some people may deserve a gargantuan wage increase based on a gargantuan raise in productivity. No economist would quarrel with that. The problem is that in the aggregate, wages have increased faster than the underlying productivity and the prices of the outputs that are being produced.

Mr Sutherland: In some cases, it may be that some of our management techniques and production techniques need to be changed or altered to become more efficient and have better productivity.

Mr De Bever: That is right.

Mr Kwinter: I would like to pursue this productivity. Mr Jamison referred to the fact that productivity is not just labour cost. I will give you an example of something I came up with last week. General Motors has four engine plants in North America. They have one in St Catharines, two in the United States and one in Monterey, Mexico. They are identical plants, identical in the sense that they are clones of each other. They are built and designed exactly the same way, but the most productive plant they have is in Monterey. It has something to do with the labour cost but not all, because there is more to it than just labour. The fact is that at the end of the day, the executives at General Motors look at those four plants and say, "We get all these engines which are identical engines and we get more out of that plant per unit cost than we do anywhere else." That is what they talk about, productivity, and that is where we have to compete.

That is our biggest problem. When someone closes down a plant, and it may be profitable, they are under constraint. They are under pressure because of the global economy, and they say: "This facility is more productive. We are getting more bang for our buck out of this facility than we are out of that facility." Unfortunately, what has been happening too often—I am not blaming anybody; it is just sort of the work environment—is that too many workers think they are entitled to increases just for being alive—"I got an increase last year. How come I didn't get an increase this year?"—and it is not tied to their productivity. That is where we are losing our competitiveness, so we have to decide on two things. Either we have to get better able to produce to warrant greater salaries or we have to cut back. That is the dilemma.

You have made several comments about how you think our initiatives should be placed in different areas. Say you were the Treasurer and you had to give political direction to the people at the Treasury. What would be the number one thing you would recommend?

Mr De Bever: I think our major problem is in southern Ontario, which is a largely urbanized area, where costs have been rising very dramatically over the last 10 years because of the relative increase in prosperity. As a result,

you see a lot of comparisons with Buffalo, which is a relatively rural area, on any number of factors: labour cost, land cost, servicing cost, you name it.

Given that such a large component of the engine of Ontario is urbanized, I would focus on how I can streamline the delivery of services and the taxes imposed on an industrial urbanized area of Ontario, because if for a moment instead of thinking Ontario versus the United States you think urban versus rural, you find that we share many of the same problems with urban areas in the United States. I am talking about New York; I am talking about the Midwest.

There is a similar sense that costs in the urban areas have gotten out of line and there has to be some way of defusing pressure from those urban areas to other areas. In other words, do not try and pile everything into the same already clogged channels of service delivery; go to lower cost areas. In fact a lot of companies are already doing that. A lot of companies are considering relocating in areas like, in the insurance industry that I used to be associated with, west to Waterloo and that area or up to Barrie. Those kinds of trends are likely to be there. I think they are beneficial because what they will do is reduce the pressure on land values and servicing cost in the principal drivers of Ontario without negatively affecting productivity. In fact they will probably improve it, make our economy relatively competitive.

This is the amazing thing about what is happening here. In many ways we are our own worst enemy. We have very high labour productivity. We live in a society where increasingly it ought to be true that the specific location where services are produced should not matter because transport and communication costs are very low, yet we find that we tend to concentrate a lot of activity in a very small area at a very high cost. I think the only way to break that cycle is to try and come up with ways that we can encourage people to move out of the central cores of the cities in Ontario. That would be my prime recommendation.

The other one would be, instead of focusing on how we can generate more revenues out of business, to allocate and spend part of the time seeing what the impediments are to undertaking business. I am not convinced we have a strong comparative disadvantage vis-à-vis, say, Buffalo as we are made out to have. Some surveys by, say, grocery chains and other manufacturers show that there is a case to be made that there is a lot more hype to this than reality. If that is the case, then we should identify what the true situation is, make citizens aware of it and, to the extent that there are impediments we can remove, we should remove them. I think that is the true function of government: to be the facilitator.

Mr Phillips: I really appreciate your report. I thought it was as thoughtful as we have had. At least I think it is—maybe because I agree with a lot of it, so I always think it is more thoughtful. I appreciate your comment on the capital account, which I fully support and I think is something we will have to look at.

I think we are going to find a certain pattern setting here at these hearings. This is our first day. It will be the government says it is right and we will say, "You

ng," and we will not know for a year or two. So it is going to be a game of rhetoric, I guess. It will be th while and we will hear really good witnesses such ourself and others we have heard. But I worry that ause we are all projecting what the impact is going to we will not see much movement on it.

My question to you is, what will be the signals of ether this budget is working or not working? In the end ink we will have to set up those kind of guideposts that "You were right and we were wrong," or "We were it and you were wrong," because I think you have perally given us a blueprint in many respects of what to do is wrong. How will we know that it is not working?

Mr De Bever: Because we are a small part of a larger nomy it is going to be very hard to tell, there is no stion about that. But rather than focusing on keeping re I was much more interested in this case in saying, ook, you're focusing on the wrong things." Money is the issue.

This budget reminds me a lot of—you may think this appropriate—the Great Society programs of Lyndon onson where there was a set of ills, social weaknesses, ntified. The notion was, "If we just spend money on it, 'll upgrade education and we'll increase equality of op- tunity and so on." I think the last 15 or 20 years have own that life is far more difficult and complex than that. u have to be very specific on setting goals and making e you get those goals. Just by spending money on R&D, hich is laudable in itself, and just by spending money on ucation, you are not going to guarantee you are going to t results.

I think that is the lesson of a lot of Keynesian-type spend- g. Spending money will stimulate the economy, yes. For a uile it will get you output, but it may not get you the ecific results this government seems to be after, which is to rease productivity by giving people increased skills for hich the world is going to pay. I think that is the ultimate jective. Unless you have very concrete specific programs lace that take the money that is being spent and channel it to very specific productivity-enhancing strategies, I am not re it is going to be worth while.

How are you going to measure it? When I was at the ank of Canada we did a lot of studies on what fiscal olicy could do for you. The end result was that it cannot o very much for you structurally over the long haul. All it n do for you is in the short haul ease the pain of a ecession. If you are after structural changes, you have to e much more concrete; you have to be much more spe- fic. I guess that is the part I found missing in this budget.

The Chair: You have approximately three minutes left.

Mr Phillips: Another quick question then. In terms of here we are going to see jobs created, which is a huge worry for many of us, I think in your analysis you said, Listen, 10 years ago you looked at the manufacturing ector and said we'd be lucky to hold the absolute number f jobs," although my recollection is that the percentage of e gross domestic product by manufacturing actually ent up when the jobs stayed the same because of invest-

ment, so I interpret from your comments here we are going to be very lucky to hold manufacturing jobs. It is going to require a lot of investment; we are going to have to attract capital investment to hold manufacturing jobs.

That being the case, and the labour market growing at 1.5% a year, we need 75,000 new jobs just to hold even. We have lost 200,000, so we have to create 300,000 jobs very quickly. Where are they going to come from?

Mr De Bever: This was exactly the kind of discussion we got into in 1981-82 when I presented that projection. Unfortunately I find that you cannot make a case that to politicians or to laymen is very convincing. All I can tell you is, over the last 30 years there has been a dramatic shift of job creation out of the goods-producing sector to manufacturing. People say: "This cannot continue. How many services can you consume? You can only do one haircut. You can only go out to dinner so many times. Where are these services going to come from?" The fact is that between services and what is now referred to as the information-oriented sector, there is job creation in services and there has been. I am very convinced that there will be.

Just to illustrate that point, because it is a point that most people find hard to accept, in 1981 I got involved in a debate about the impact of computers on jobs and the same argument was being made. Suppose you go and invest in computers; you make a whole bunch of people redundant. Where are they going to find jobs? The projection was, we were going to have a 40% unemployment rate for secretaries in Toronto by 1991. I declared that forecast to be totally ridiculous and it turned out to be ridiculous, but at the time I must have debated it in three or four different forums. I could not make my case because people could not visualize that jobs would be created in other areas.

Mathematically it makes perfect sense that jobs will be created in the service sector and I think they will be. To visualize that is very difficult, but I think the shift of demand is away from goods. For every incremental dollar you will find that a smaller proportion will be going to goods and a larger proportion to services. Because of that we may in fact have, by the middle of the decade, a shortage of labour in many skilled areas rather than the surplus we are worried about now.

Mr Sterling: I would like to echo the sentiments of my colleague Mr Phillips in terms of your presentation. I really found it quite enlightening. Perhaps your knowledge of the budget matches anybody's in this province in terms of your understanding and going through it. I appreciate your analysis.

I once listened to a speech by Professor Phil Gillies, who used to be a provincial MPP, and I remember him saying that the whole debate over the free trade agreement was a bit of a farce because it did not matter whether we had a free trade agreement or not. Free trade was going to be a fact in 10 years regardless of whether we had an agreement; we were just going to be forced into it by what was happening in the world.

One of the problems I have is there seem to be three whipping boys in all the arguments that you hear. One is

free trade, the other is John Crow in terms of his monetary policies and the third is the federal government in terms of the GST and that kind of thing. I do not see those as the real problems in regard to what is happening to us at this time.

One of the other things we have heard, particularly from the manufacturing and the business sectors, which have suffered greatly in the last little while—as shown in your graph, their profit margin is way, way down—is that everybody seems to argue for an 80-cent dollar. That seems to be the panacea in terms of solving the problems. Would you care to comment on what would happen?

Mr De Bever: Even if you wanted to, you could not get to an 80-cent dollar in a real hurry, because if Crow were to wake up tomorrow morning and say, “Look, I’ve been wrong all along. I want an 80-cent dollar. Go sell the dollar,” it would not stop at 80 cents, and that would have problems of its own.

When you look at the history of devaluations in various economies, you find that weakening the currency is never the solution. My advice to manufacturers would be, find yourself 5% or 6% productivity in your operations rather than wait for Crow to drop the dollar, because if you have the 5% or 6% in productivity, you have that in your hand. They cannot take it away from you. The dollar may go up or down beyond your control.

If you think that is an unreasonable suggestion, go back to 1981-82. You may recall that the presidents of Falconbridge and Inco and so on were arguing very strenuously that without devaluation they would never be able to survive. Then when it dawned on them that between the dollar not doing what they expected it to do and commodity prices not doing what they were expected to do, they had better do something about their own operations. All of a sudden in the space of one or two years they realized dramatic improvements in their operations simply by saying, “Look, this is what we’ve got to do.”

I think that is where the solution lies. It is only human nature that we tend to postpone unpopular decisions as long as possible. A lot of manufacturers have done that. Free trade is now bringing to the fore a lot of problems that have been subterraneously existing for a long period of time. Now that we are finally confronted with the fact that we have to compete internationally, these problems are being addressed.

I really believe that the answer is not complaining about the other guy; it is to a larger extent trying to do, in your own shop within your own sphere of influence, what is possible. I am not for a moment discounting the fact that government can play an important role in there, but I do not believe that it should be there with its money bag. It should be there to say, “Okay, what is the environment that we have to create for you to hire more people and to create employment?” and not necessarily as the subsidizer of new ventures.

Mr Sterling: If you were the Governor of Canada, in John Crow’s place, would you take much different action than he has?

Mr De Bever: I must admit I am partisan. I used to work for John Crow. I might have taken a different tack in

the sense that I think his basic error was that in the beginning he did not communicate what he was trying to do. We have a situation where everybody was assuming that the monetary policy was being geared to inflation continuing at 5% or 6%, whereas the reality was that he was serious when he said he wanted inflation down to zero. I think that has caused a lot more pain than it needed to, and it probably has caused a deeper recession than it should have.

In terms of the intent of the policy, no. I think the history of Canada shows that the errors in monetary policy have always been made in that they have accommodated much more inflation than they should have.

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Mr Sterling: You mentioned the \$45 billion of debt which is held by Japanese interests. I understand there is a certain amount of debt out there—I have heard the figure of \$35 billion or \$40 billion or something like that—which is relatively short term, held in short term. If the interest rates were dropped and the interests of those four investors disappeared, what would happen?

Mr De Bever: If interest rates were dropped—

Mr Sterling: Presume that the two things that hold that debt are the value of the dollar relative to the other currencies and the interest rate. That is what the investors are looking at. So if the interest rate drops or the dollar drops or a combination of the two, what happens if that \$45 billion is no longer there for us?

Mr De Bever: The fact is that you could not finance your debt if you tried to do that. The Japanese or any other foreign investor is not there for philanthropy. They are strictly in there for returns, and they will sell us down the river any time it seems advantageous. They have no particular love for Canada or Ontario or anybody else. I guess the answer to your question is that if you try to refinance the government debt at lower rates, you could not do that unless you had a substantially lower inflation rate in your economy so that the real returns to the investor would remain the same. That is ultimately what the Bank of Canada is focusing on.

Canada’s debt is extremely short; the average term to maturity is only around 4.4 years. What that means is that there is a tremendous positive leverage from dropping inflation and interest rates. If you can bring inflation down, you can bring interest rates down. If you do that and you work out the mathematics of compound interest, it has a dramatic impact on both the federal deficit and the kind of provincial debt-servicing costs we are talking about here. It is very dramatic in the sense that it could wipe out half the deficit in a matter of three or four years. Every 100 basis point, every point reduction in interest rates, will, over a period of one to two years, reduce the deficit by \$4 billion or \$5 billion. The reason that this is being masked right now is the recession. The recession has caused both the federal and the provincial governments to spend more money. Once the recession is over, only the impact of lower interest rates will remain. So that is a very dramatic lever and it will continue to work for us, and interest rates will be able to continue to drop if we can get inflation down.

The point is that by international standards our labour costs are not very efficient, and even though producer prices have been flat for the last year, wages are still rising 5% a year. So we have a problem there in terms of changing people's perception adjusted until it is possible.

Mr Sterling: Do you think the provincial government's budget should have done something in terms of bringing some leadership in restraint?

Mr De Bever: One thing that other provincial governments have done is to stand behind the federal government in terms of saying: "Look, here is the wage budget. Do what you will. You can have fewer employees and lower wages or you can have the same number of employees and no wage increase." I think something like that would have been positive.

I am not saying, by the way, that civil servant wages are necessarily too low; in fact there may be a case in some areas where they are too high. In some cases one may argue that they are too low. All I am saying is that what works for the private sector also goes for the public sector, that there is a limited amount of resources and that you have to do with the resources as much as you can. I think the area where we traditionally have had problems is that the sectors that are not as much bound by profit-and-loss considerations have tended to lead the way on wage inflation.

Mr Sterling: Dianne, did you have something?

Mrs Cunningham: We thank you for your presentation. It has been a real treat.

The Chair: Three minutes.

Mrs Cunningham: We also get to read the Hansards. I have a couple of questions and maybe we could have a discussion. When you talk about the positive assessment of Ontario's economic potential, the positive statements that you have made with regard to "good quality of life" and "high level of education of labour force," my concern is as a critic of Education and Skills Development, and my background being board of education in London, Ontario, for many years as an elected representative, your next sentence on that page disturbs me just a little bit: "I expect that our fortunes will be boosted significantly in the nine-ties by strong immigration."

My great concern has always been that yes, we have a great education system and our public are highly educated, but in the area of skills development and producing what we need them to produce, I think our system has been an abysmal failure. Most educators would say there needs to be a very major change in direction and training of young people, as well, of course, as retraining. I just wondered if you would comment on that and tell me what you meant by "strong immigration." Are they going to take the jobs that we should be training our young people for?

Mr De Bever: The facts are that recent immigrants are dramatically different from previous ones. There is a high proportion of immigrants who are highly skilled. You are probably thinking about the proportion that is not skilled and in fact requires a higher level of government services to bring them—

Mrs Cunningham: I am thinking of both: the skilled ones doing the jobs we wish we had trained our young people for, or our workforce for, and the others needing so much more education, as we are all experiencing now.

Mr De Bever: That is right. As a parent, I would agree with you that what I see in the educational system is not what I think is possible. It comes back to an earlier comment: If we are spending all this money on education, let us set some standards that tell us whether we are doing what we think we ought to be doing. Again, the comment should be made that just spending money on education and providing for decent salaries for teachers and educators is not going to be the kind of thing that I am referring to here.

I would not want to go on a right-wing binge of the three Rs and all that, but there is a point where you have to bring it down to basics, and that is to measure both the skills you are trying to impart and the means by which you are doing so. Just saying, "Well, we have so many teachers per pupil and we are spending so many dollars; therefore the results are going to be there," I do not think is going to work. You have to be much more specific on that.

Mrs Cunningham: Which takes me down to the points you made on efficiency and delivery of health and education, where we talk about not measuring how our programs are working. I would thoroughly agree with you, with my background as a person who did private sector audits of programs.

I think what we need—certainly we have been talking about this for probably 10 years, so I am not blaming any particular new government or previous government, but there just does not seem to be the political will to make the major changes and to do the measuring. It is so easy to go along with the status quo. As politicians we are advised by civil servants who are supposed to provide us with the expertise, and yet we are not getting the kinds of things I am talking about now and the kinds of things my colleagues of all parties here and out in the public want. We do not get that good advice. At least if cabinet members are getting it, it certainly has not trickled down to the regular representatives of the public, because I have never heard anybody, other than in lip service, say that we need these major, major changes in delivery which France, West Germany and England—I am very familiar with their skills councils—have done and are continuing to do in criticizing themselves first.

How do you get it? You said once that you advised public servants, so how do we get that good advice? Where do you see the political will coming from? No one seems to be listening to the need.

Mr De Bever: I think the advice and the strategies are probably out there, but as you indicated, the political will and the obstacles to that are maybe very serious. You are talking about antagonizing some people—I am talking about teachers and so on—who probably do not want to be measured. Some of them do.

There have been proposals in the United States and other jurisdictions to make compensation much more responsive to performance. Of course the question is, how do you measure performance? The way it is right now, any

teacher who has put in a fixed number of years is earning the same salary, regardless of what his or her performance is. So a lot of them are arguing, "Why should I take on more responsibility and get extra training so I can be more productive when I do not see anything showing up in my paycheck?"

I think those are the kinds of issues you are going to have to grapple with, and I am sure there are strategies out there that outline what you have to do to get there. The problem is that you are talking about some very major change and you are talking about antagonizing some people who are voters. It is like anything else. But I think it will ultimately boil down to a battle between two sets of voters, the educators and the parents. As educational resources become more scarce, I think the parents are going to more and more gain the upper hand and pressure the government at the provincial and local levels to shape up and do the kinds of things we are talking about here.

1640

The Chair: Your time is up.

Mrs Cunningham: Just one—

The Chair: No, I am afraid not. You are already over by four minutes.

Mrs Cunningham: Okay, if you had told me at four minutes—we are not participating, in Ontario, in the national testing right now that is going on. That is one of the great concerns that we have—

Mr Sutherland: And we know why.

Mrs Cunningham: Thank you.

Mr Kwinter: On a point of order, Mr Chairman: I have had one of my colleagues, a member of the third party, ask me what Nomura is. I had just assumed that everybody would know and I would—

The Chair: If you would like to explain—

Mr Kwinter: One minute just to tell you what Nomura is.

Mr De Bever: Nomura is the largest Japanese brokerage company. I have nothing to do with the publicity that they garnered themselves over the last few weeks, but it is effectively, the largest brokerage company in the world.

Interjection: From Japan?

Mr De Bever: In Japan.

Mr Kwinter: They are Japanese, but they are the largest securities company in the world. Their capital base is as large as that of all of Canada. That gives you an idea.

Mr De Bever: The Japanese securities industry is not as well developed as the North American one. There have been certain problems in terms of how they treated one client versus another that have hit the press rather dramatically and caused the resignation of both the chairman and the vice-chairman.

The Chair: Thank you for returning and doing this presentation today.

We have some business to deal with as a committee. A problem has developed for tomorrow and I would like the clerk to describe what that problem is.

Clerk of the Committee: Because of the short time frame that we had for scheduling some of the witnesses, we were having difficulty scheduling some of the time slots to begin with. Since this morning, four of the groups that are scheduled for tomorrow have cancelled. We have been calling everyone else on our list trying to get other groups to take those time slots on short notice but have met with only limited success. I am just wondering if the committee is happy to have me keep trying to schedule as many groups as I can to try to come up with as much of an agenda as possible.

Mr Sterling: Which four have cancelled?

Clerk of the Committee: The 10:30 and 11 o'clock and the 3:30 and 4 o'clock have cancelled.

Mr Sterling: So all we have is the Ontario Nurses Association at nine o'clock in the morning?

Clerk of the Committee: We have moved them to 10:30, and I believe my office has been able to get another group at 10 o'clock, so the committee will not have to meet at 9 am for only one group.

Mr Kwinter: The committee will meet at 10 o'clock in the morning?

Clerk of the Committee: Yes, but if you are happy with just having me work as much as I can to get other groups from the list—

Mr Sterling: Do you have somebody at 10 o'clock are you trying to get somebody?

Clerk of the Committee: Yes, we do have somebody confirmed at 10 o'clock.

Mr Christopherson: Why did four cancel?

Clerk of the Committee: I believe they committed appointments last week believing they could make it. On reflection they just found they cannot make it in time frames.

The Chair: Could we suggest to them that if they have no prepared statement but would like to come and make a short statement and have questions and have more of the time dealing with questions, that maybe would be a satisfactory alternative to them? This would of course have to be done with the okay of the committee.

Mrs Cunningham: Or come later on?

The Chair: Later on is not a possibility. We are booked pretty solid. There are very few spaces available later on.

Mr Sterling: I would suggest, Mr Chairman, if we are going to meet at 10 and at 10:30, that if you were able to have anybody else, you slot them in at 11 and 11:30 and that you do no more than two more.

Mr Sutherland: Let me just raise a point. I do not have my schedule right in front of me. Are we booked solid for Wednesday and Thursday?

Clerk of the Committee: Yes.

Mr Sutherland: Okay, because there has been some concern. It is unfortunate some of these groups could not come, because I have had a few people call me, some of the individuals who wanted to appear beforehand and because of the decision we made as a subcommittee that

ny could not appear—I was just wondering if there was room to schedule any of them in. It does not appear possible?

Clerk of the Committee: The only gaps are in tomorrow's schedule.

The Chair: So the directive to the clerk would be to find whomever he can find and this committee will reconvene tomorrow at 10 o'clock? Thank you. We are adjourned until 10 o'clock.

Mr Jamison: Is that individuals or organizations?

The Chair: Whomever, I suppose.

Clerk of the Committee: From the individuals list as well?

The Chair: The individuals list as well?

Mr Sutherland: I would appreciate that. Given the fact that we cannot fill the time, we might as well hear from people.

The Chair: Okay, this committee is adjourned until 10 o'clock tomorrow morning. Thank you.

The committee adjourned at 1647.

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(Hansard)

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économiques et financières

Budget de 1991-92



Chair: Jim Wiseman
Clerk: Todd Decker

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Greffier : Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 30 July 1991

The committee met at 1010 in room 230.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: I see a quorum, so I would like to begin what we are not too far behind by the end of the day.

PHYLLIS GRIFFITHS NEIGHBOURHOOD CENTRE

The Chair: I would like to welcome Reet Mae from Phyllis Griffiths Neighbourhood Centre. The procedure is that you have half an hour. You can do your presentation, however long that takes, and then the committee's time divided equally among the three parties to ask questions in order. At the end of the time, we have to move. That is the procedure. If you could begin, we will have half an hour from now.

Ms Mae: My name is Reet Mae and I am the executive director of the Phyllis Griffiths Neighbourhood Centre, which gives a considerable number of people difficulty over its name and its pronunciation. I get called Phyllis quite an awful lot.

This is a multiservice community-based agency that receives a portion of its operating costs from the Ministry of Community and Social Services. Because I am speaking on behalf of our chairperson to a certain extent and also on behalf of issues that are relevant to other similar agencies, I will be speaking from a prepared text for the most part.

I appreciate the opportunity to speak today to the standing committee on finance and economics in the matter of the current budget for the province of Ontario. I am not here as an economic expert, nor will I address any global issues relating to the budget. I am here to ask for your support of front-line community-based programs and services in a number of areas. Such community-based programming forms a minute proportion of the provincial budget expenditures yet provides a critical link to the rest of the social service sector for community members. By making a substantial financial commitment to community-based, community-run programs and services, we save dollars in later social service costs and reduce the burden of suffering of the vulnerable and isolated in our communities.

In the speech from the throne, I was pleased to hear that there is a commitment on the part of this government to "listen to the people" and to "work towards our communities becoming supportive environments where all people, including those who are vulnerable, can meet their full potential, participate in community life and make their contribution to society."

I am reassured that this government is "committed to both employment equity and pay equity...particularly in areas such as child care" and that this commitment extends to the "range of public services to families." I am counting

on this government taking practical steps to fulfil its stated declaration that public policies and programs must reflect the realities of family life, the growing participation of women in the workforce, the balancing of work and family life, and the changing role of the extended family in caring for children.

As a taxpayer, I also appreciate the commitment to the most effective use of public funds, and I wish to bring to your attention a number of existing social services which provide a most efficient and effective way of addressing many of the issues and concerns cited above and outlined in the speech from the throne, as well as in the budget speech.

With your permission, I will briefly outline some of the relevant background and history of community-based support services and then present three specific issues in community-based programs for which I am seeking your support. Community-based programs and services are very precarious under the current budget allocations yet provide vitally needed services to large segments of our communities in an accessible, effective and cost-efficient manner.

In 1979, the Social Planning Council of Metropolitan Toronto outlined a number of issues making social service planning and provision difficult, particularly in large urban areas, in a report entitled *Metro's Suburbs in Transition*. Outlined in part 1 of this report were a number of factors contributing to changing needs in large urban areas. Metro's suburbs at that time were experiencing increased immigrant populations, the isolation of the elderly and of those caring for young children, increasing unemployment among young people and changing age structures in suburban areas. Many of these changes are continuing and greatly affect the accessibility to social services and community programs of community members. The importance of local, community-based resources that could respond to local needs in an immediate, accessible fashion was stressed in the report.

Following this, the report *Neighbourhoods Under Stress* was produced in 1983 by the joint task force on neighbourhood support services. The *Neighbourhoods Under Stress* report contended that neighbourhood support programs could be considered essential services in much the same way as roads, police, schools and public health were. Such neighbourhood support services provide the essential work to enhance the quality of life for individuals and to make communities healthy and support living environments, particularly for the elderly, the isolated and the vulnerable. The report further argued that no other essential services use public dollars as efficiently as neighbourhood support programs do.

The community and neighbourhood support services program was a funding program that was a creative response to the issues outlined in both of these reports. This

province-wide funding program is shared jointly among the province, which provides 50%, the local municipality and the United Way locally, which both provide 25% of the core funding allocations. The funding program is intended to provide core funding to local neighbourhood-based agencies which are representative of and responsive to their communities and which have no other stable source of funding. The funding program began as a pilot project in 1985 and was made a permanent part of the provincial social service structure after the completion of the three-year pilot phase.

Agencies funded under this program are run by volunteer boards of directors, use many community volunteer hours and are able to provide flexible supports and services to members of local communities, providing a wide range of services, including employment counselling, family support, community integration for new immigrants, seniors support services or programming for new parents. The success of the program is due to the dedication of the large number of community volunteers who donate their time and talents, as well as the dedication of the staff employed in these agencies.

The funding of the community and neighbourhood support services program, however, is inadequate and has been inadequate from its inception. Initially, the maximum dollars available for core expenses were \$30,000. Out of this limited allocation, boards of directors were expected to pay the salaries of their executive director, office support staff, office rental costs and administrative costs. Even at the time, this was clearly inadequate. In a 1988 salary survey of CNSSP agencies, the average salary for the senior staff person was found to be \$22,000. This is the chief executive officer of these agencies. This was equivalent to the starting salary of a clerk at Metro and there was no access to benefits for any employees. While these figures have improved to some degree in the intervening years, I remain concerned and I wish to share this concern with you.

Most CNSSP agencies are primarily staffed by women, who are continuing to bear the burden in a very direct fashion for the provision of social services to our communities. This, I believe, is a disgrace, particularly when we are surrounded by commitment to pay equity. It does reflect the prior provincial lack of financial commitment to adequately fund the community and neighbourhood support services program.

Without adequate funding, the burden of providing support and service to communities remains directly on the workers, particularly in smaller social service agencies, as well as on the community, which must generate additional funds for the agencies to remain viable. These community-based services have become a valuable part of our social service system in Ontario, yet the CNSSP program has not shown the growth that could be expected. This, I believe, has been due to the lack of funding commitment on the part of the province, which is the major funder. There are no equivalent means for cost-effectively providing support and services to our citizens before costly interventions are required, and I believe the community and neighbourhood support services program deserves our fullest support.

I believe, as this government has outlined, that the future wellbeing of Ontario depends in large measure on how we care for our children today. Former support systems such as extended families no longer exist for many today's families. As a province, we must address the changing needs of families and provide services that support the child. At the moment, in the greater Metropolitan Toronto area there are over 100 family resource centres providing a wide range of prevention-oriented services to families and children. Some of these are funded through the provincial government through the child care unit. Others are funded through local municipalities, and still others through private means or their own fundraising. Many of these family resource centres operate as part of broader community-based agencies.

Family resource centres are a vital part of our services to children. As the majority of children in care are not in licensed day care settings, resources need to be made available to care givers of young children that ensure adequate standards of care for all of Ontario's children. A family or preschool resource centre can provide such support services for all community care givers and thereby enrich the lives of children in care as well as reduce the risk of child abuse and neglect. Such services fulfil the same role for parents, grandparents, aunts and uncles who are staying home to provide care for young children. Support services may include drop-in programs, toy libraries, informal day care registries, child enrichment programs, parent training and informal counselling.

At the moment there is no stable funding source within the province of Ontario for such services. Agencies funded through the child care unit have in the past been informed that providing support to parents is not within the mandate of the child care unit. Unfortunately, at the moment, inclusive family support services do not appear to be within anyone's mandate.

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This is another sector in which the majority of employees are female. Once again, the already heavy burden of providing for the social service needs of this province is resting on the female workers in the sector. Even within agencies funded by the provincial government, wage inequities are immense and the majority of agencies remain dramatically underfunded and rely primarily on women to make up the funding deficits. Such agencies, while employing early childhood education graduates, as in licensed day care agencies, are not eligible for direct operating grants or any other form of pay equity adjustments at the moment.

These women also are child care workers and they fulfil a very important role in ensuring safe, high-quality child care made available for all children in the province, both from parents and informal day care providers, as their salaries are falling far behind those with equal responsibilities and equal qualifications providing child care in licensed agencies at the moment.

Finally, I would like to remind you that a large part of the social service provision in this province is still being done by women. Because the services outlined above are predominantly provided by women, until new legislation

comes effective we are not even eligible to be considered under employment equity. Many women who work to provide much-needed programs and services to the citizens of Ontario are themselves sole support parents, immigrants, and vulnerable individuals because of their life circumstances. Many of these programs and services are provincially underfunded. If pay equity legislation were to set guidelines for equitable salaries in small, community-based services, the local volunteers and board members, many of whom again are women, would become responsible for raising unrealistic amounts of additional dollars for salary adjustments. Unless the province itself is committed to pay equity for all agencies under its various funding programs, pay equity cannot become a reality in the province of Ontario.

To this end, I believe, as this government does, that it is possible for us to live together to build a society in Ontario that provides a decent quality of life for all of us. To this end, I am asking for the support of this government in the three areas that I have outlined above by, first, providing equitable and realistic funding to the community and neighbourhood support services program, phased in over a three- to five-year period; second, making both a financial and a philosophical commitment to the lives of children in this province by recognizing the importance of those caring for children, especially in the early preschool years, and by providing the necessary financial, economic and social resources to support both parents and care givers in this important role, particularly in recognizing the important role of family or preschool resource centres and ensuring that adequate funding is made available for such services; and finally, making a financial commitment to pay equity for women that will include an evaluation of the province's role in contributing to inequity through underfunding of many smaller social service agencies and by developing a strategy to provide supplementary funding to such agencies when the appropriate legislation is passed.

I thank you for the opportunity to present these concerns. I know that you share these concerns with us and look forward to seeing some practical answers to these concerns, both in the current budget and over the long term.

The Chair: We have 15 minutes left, five minutes per party, beginning with the Progressive Conservative Party.

Mr Jackson: Reet, thank you for your presentation. One gets a sense from it that we have heard these concerns before. However, trying to pull that into the budget, where you see the budget having addressed that or whether the budget has not, I certainly have a clear view of that, and I wanted to get a sense from you where you see the deficiencies in the current budget. I do not want to prejudge the committee or this government, but it is highly unlikely that a whole series of promises in the last budget are going to be dropped in order to shift them to others. I do not want to prejudge that, but by the same token, I am a realist. But I want to ask you very simply—

Ms Mae: The commitment to pay equity, for instance, does not apply to the workers who are working for me

providing child care support services. There is no additional funding for them.

Mr Jackson: Okay. I am familiar with a couple of documents that address the preventive aspect of children's mental health and children's support services and not the proactive funding in that area—that is your second bullet point on your synopsis page. Is there a concern about not having clearly defined dollars in the budget for that area as well?

Ms Mae: I guess the concern is more a lack of commitment to the entire concept of providing support services to families. I believe that anyone who looks after young children is entitled to the maximum amount of support that we can provide. Those agencies that are funded through the child care unit have in the past been told variously that if they allow parents to come to such programs they are not within the mandate of the child care unit. The funding has not been cut because of that, but it has always kind of been the line that has been held over everyone's heads.

I honestly believe that by providing support services to children in the community, whether they are cared for by their parents or someone who is paid for it, we will ensure a better society for us all, and that it is very effective and cost-efficient to do this on a local community level.

Mr Jackson: I could not agree with you more, but I am trying to get a clearer sense of why the budget and/or policy direction does not address that issue. We see elements of it; we see it in interval houses. There is a growing recognition of the need for not just child care workers but persons with psychometric skills so that they can do work with the children in that setting, in that environment. Although it is a family in dysfunction, it is a separate family with the mother and the child or children. Are you suggesting, therefore, that there is not this acceptance of community-based programming that works with families in that—

Ms Mae: I do not believe there is a commitment anywhere to this on a broad-based level. I believe there is a commitment that started from a concern over children in the informal child care system, which still remains the majority of children being cared for, but I do not believe that anyone has really examined a sort of philosophical overview of what we provide for all of Ontario's children. Because my staff, for instance, who are providing services in a family resource centre, are not eligible for any type of salary supplements, their salaries are falling far behind those of people in child care. I paid my co-ordinator for all these services \$25,000 last year, which I do believe is a disgrace.

Mr Jackson: A final question, then, on the issue of the pay equity. I am surprised to hear that the government's position is that you are outside of the extended circle. I understand that we are broadening the circle for pay equity, but I know cases such as the YMCA network where they have been told that they fall within the legislation but outside of the line in terms of funding support or subsidy. You seem to be falling outside of both lines: whether pay equity affects you and whether or not you would be eligible to present yourself to the government for a subsidy.

Ms Mae: Unless this government makes a commitment to include us all, I am concerned that we may fall outside of it. We will not know until the final straw comes. The problem is, you see, that our agencies are already tremendously underfunded. So if you give \$2,000 more and there only is half of the operating cost it really cannot supplement salaries until the core funding is adequate.

Mr Sutherland: I am glad to see that the member for Burlington South recognizes the difficult task the government had in terms of the demand for services and not being able to meet all those demands. There is still much more that has to be done, obviously, and we see that from your presentation.

As you are a neighbourhood centre, I would suspect that you can probably put a little more perspective on the impact of this recession. We hear that the recession is over, statistically the recession is over, but what is the reality of the situation? What are you seeing in the centre on a daily basis? How has it grown? Who is being affected and impacted the most?

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Ms Mae: Statistically it may be over but it certainly has not changed in terms of the communities. I think this is true for agencies across Metropolitan Toronto: that there has been over the past year an increasing number of people who have been homeless. We have had families come to us, for instance, who have had young children and no access to food. We have had one of the members of Parliament call us to ask for emergency transportation to provide access to a disabled woman who had just returned from the hospital and could not get to a food bank, there being nothing to make that transportation possible for her to access those services.

We find that families are experiencing severe difficulties and that the need for peer support and also trained support for parents who are dealing with things such as unemployment or underemployment is becoming increasingly important, particularly in the issue of mediation in attempting to reduce the possibility of the risk for family violence as well as child abuse.

Those are all things that have been increasing. The demand for services at the community level has been increasing considerably over the past year, and we do not expect it to abate to any degree.

Mr Sutherland: Are the people you are seeing the traditional people who have always been struggling in the system to get above the poverty line? Are you seeing new people, different types of people that you have never seen?

Ms Mae: Our community is very interesting because it is a community that has some very wealthy people living in it and also has a large number of co-operatives and some subsidized seniors' buildings. So we have literally the entire spectrum as well as some basement flats and little tenementy kinds of buildings over storefronts and things like that.

We find that this has affected almost everyone in our community. As you probably know, in Scarborough the whole issue of basement apartments is a big issue, and certainly within our community people who before would

have had no difficulty in maintaining their own homes with their own resources are not able to do so any more. In our community, as well, there is a large proportion of elderly women living on their own and really struggling to maintain their own homes, particularly women over 65 which is a very vulnerable population.

Mr B. Ward: Part of the benefits of the budget as far as the people of Ontario are concerned was our maintenance of social programs during these extremely tough economic times. As well, and you touched on it, we do have a commitment towards pay equity, although in your opinion it perhaps is not moving along as far and as fast as it should.

Because of this commitment to maintaining social programs during tough times and moving towards pay equity, we have been criticized as a government by some groups and individuals. That criticism is centred on: we should be cutting programs to keep the deficit down, we should be cutting programs that benefit the people of Ontario, and we should not be moving towards pay equity because that will make us uncompetitive as a province compared to other jurisdictions. I was just wondering, what are your feelings on those two issues and how would you answer that criticism, if you disagree with it or if you agree with it?

Ms Mae: I have to say that personally I am very impressed by the commitment to both social programs and pay equity for the people of this province, and I understand the delicate juggling and balancing act that goes into the process. I am by no means criticizing the current budget, and I do not—

Mr B. Ward: I am not saying you. I am saying that there are some groups and organizations that were criticizing us because we maintained social programs and because we are moving towards pay equity.

Ms Mae: I understand that, and I guess I am just saying that I do not believe I am speaking from that group perspective, that I am truly speaking from the perspective of the people in the community whom we hear constantly.

Mr B. Ward: Yes, and recognizing that you are trying to do the best you can in your job, do you think that we are moving in the right direction during these tough economic times?

Ms Mae: I personally do.

Mr Kwinter: Thank you very much for your presentation. I could not help feeling when I listened to it that it was a pre-budget presentation as opposed to a post-budget presentation. It is the sort of presentation we heard prior to the budget, when people came to express their concerns, to express their needs.

I would really like to get your feeling. You have indicated some of it. The government has indicated that it chose, rather than fight the deficit, to fight the recession. How has that impacted on your organization? In other words, are you any better off as a result of this budget than you were before the budget?

Ms Mae: We are better off by probably about 1% in terms of our funding to the family resource centre program.

er than that, we are in roughly the same state as we e prior to this budget. I agree with you. To some extent, is a pre-budget, but it is also pre- the next budget and next budget and the next budget as well. For that, I reciate the opportunity to be here.

I really believe that the pay equity issue is something has to be seriously considered by the provincial government, particularly as it applies even to one specific sec- such as people working with child care, because I have se people working for me, and they are not affected er this budget, as are people working in other agencies organizations.

Mr Kwinter: Given the fact that in one area you have ut a 1% increase and in other areas you have none, how you propose to deal with your problems between now l the next budget?

Ms Mae: I am not saying that we got 1%. We got 1% ve what we would have expected, so that we got 5% s 1%, for instance, from the child care unit. This is not ay there has been no increase at all. We will carry on in ch the same fashion that we have in the past, by doing r own fund-raising, by relying on people in the commu- y to support the services we provide, because they also knowledge the need for them.

Mr Kwinter: Are you having any problem recruiting ople as a result of, say, the lack of effective pay equity d/or employment equity?

Ms Mae: The family resource centre program that we ve is three years old now, going into its fourth year. In e first 18 months of the program, in two staff positions, I ent through eight staff members. This is not a very effi- ent way to run an organization. Since that, things have come better, to a certain extent.

The thing that keeps all these agencies going—and this throughout the province—is the commitment of the peo- e to their communities. Particularly in family resource ntres, there are many, many women who are single par- ts, who are on various types of government assistance, ho really need and believe in the need to support one other. Because of that, they are prepared to make this pe of commitment, as are the staff members. I just be- ve it is an unfair burden to place on the workers in these eas.

The Chair: Thank you for your presentation.

Mr Sutherland: Just before we go on to the next pre- entation, Mr Chair, I believe we had a document tabled ith the committee yesterday. If that document has been ible, will all the members of the committee be getting a opy of it very shortly?

The Chair: I understand that is the case. I thought verybody got one yesterday. I did not know that every- dy did not get one.

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GARY A. PORTER

The Chair: Our next presentation is Mr Gary Porter, artner, Porter Hetu. The rules are that you make your resentation. Whatever time is left from the approximately 0 minutes available for individuals is equally divided

among the three parties to ask questions at the end. Thank you for coming, and you may begin.

Mr Porter: First of all, thank you very much for the opportunity to speak this morning. On behalf of myself and my partners in Ontario and across Canada, let me say that we appreciate this opportunity.

Just a little bit about us. There are over 4,000 account- ing firms in Canada. Ours operates from St John's, New- foundland, to Vancouver, and is currently rated by a publication that does an annual survey called the Bottom Line as the 23rd largest.

Our practice is based on small- and medium-sized businesses. It is especially from the vantage point of our experience gained while serving these clients that I am speaking here today.

Our clients are not abstract or faceless business entities. They are real human beings with mortgages, aging parents, kids in school. Most of them are close to their employees, know the employees' families and feel a strong sense of responsibility towards their obligations as employers.

We have watched as high interest rates, a resulting highly valued Canadian dollar and then a deep recession have battered these businesses, their owners, the employ- ees and their families. We work with these people face to face in their stores and machine shops and in our offices. We are unable to see them as statistics, and for that reason we support the decision of the government of Ontario to battle the recession. It is our view that the heavy economic engines in Ontario cannot be allowed to run down unat- tended or to fall further into a state of disrepair.

As a national firm, we are mindful of the fact that Ontario accounts for over 40% of Canada's output. It is here that the recession has been most harsh, with more factories closed, more bankruptcies, more jobs lost and larger output decline than any other region of Canada. It is right and proper that the government of Ontario attempt to soften the blows, shorten the length of the recession and lay the groundwork for the recovery.

It is clear that this budget was not the time to cut back expenditures on social welfare, health or education. To do so would create additional unemployment, and the dis- placed workers would have little hope of finding new jobs.

James G. Frank, vice-president and chief economist for the Conference Board of Canada said it this way: "Al- though a tighter fiscal plan would have kept the deficit constant, it would have had a major adverse effect not only on Ontario but also on Canada. It would have led to a significant delay in the recovery and contributed further to increases in unemployment, bankruptcies and lost output."

We note with approval that the budget did not waste money on the creation of meaningless jobs and make-work projects. We agree with the policy of maintaining and in- creasing basic capital expenditures to maintain and im- prove the infrastructure in Ontario. These sensible investments account for almost 45% of the deficit.

It is our view that the way to make Ontario competitive in the global marketplace, and especially in a North Amer- ican free trade area, is to increase productivity. This does not mean speed up, which only results in burnout and increased injuries in the workplace. The road forward is

through greatly enhanced worker retraining and relocation programs, and a much increased development of technologically advanced production of goods and services.

If workers in Canada earn \$15 per hour and workers in Mexico are paid only \$3 per hour, it is possible to maintain our standard of living by producing five times as much output per hour or per wage dollar as is done in Mexico. Only a strong, consistent commitment to high technology investment and worker training, supported by public policy, can attain this objective. A clear economic strategy is required and a partnership which includes both public and private sectors is indispensable.

The budget papers make clear that the government of Ontario is headed in precisely these directions. Part of the increased productivity which we require will be a critical and thorough examination of the value for money we are obtaining in the massive public expenditure areas such as health, education and welfare. We are pleased that the government of Ontario has already undertaken to increase the efficiency of the health service by reducing expenditure growth while sustaining the quality of service.

We want to point out that it is a daunting task. Anyone can cut costs by cutting service. Such actions do not increase productivity or efficiency; they merely reduce our standard of living. Long-run gains in efficiency require cutting costs while maintaining the essential quality of the services provided.

We are pleased to see that the government is committed to maintain reasonable limits on the carrying cost of the provincial debt. Our own view is that the provincial economy will recover somewhat more quickly and reach somewhat higher levels than is predicted in the budget. If we are correct, we recommend reducing provincial deficits more quickly.

In our view, there are three areas where the government may find its current direction is at odds with its longer-run objectives. We do not believe that the clawback of the small business deduction within the narrow range of profits ranging between \$200,000 to \$500,000 is prudent. Small businesses are well known to create a high proportion of new jobs. However, jobs are created by reinvesting after-tax profits in the business. Smaller businesses have persistent difficulties finding outside sources of funds. Thus, retained profits are an especially important source of their growth. If a small business earns a \$200,000 profit on which approximately \$50,000 is paid in tax, and each of only two partners is paid dividends of \$50,000, only \$50,000 remains. However, to create a new job requires \$60,000 to \$75,000 to pay for space, equipment, hiring, training and new salaries or wages.

We believe that the clawback only serves to reduce job-creating capacity, alienate small business and is unlikely to generate a substantial increase in tax revenue. If the clawback is used at all, a threshold of \$750,000 and a full payback by \$1,000,000 is suggested. We believe that a minimum corporation tax will increase tax complexity unnecessarily. Better directed tax incentives or removal of incentives is preferable. This policy would simplify taxation of corporations while increasing tax revenue.

Finally, we recommend that the Treasurer proceed cautiously on a land speculation tax. A tax, for example, does not exclude principal business corporations would be a strong disincentive for these companies to develop property in Ontario. There are many good and valid reasons why a land developer may sell a property before coming development. Inability to obtain approvals for intensification or cash flow requirements flowing from recession, high interest rates are examples. Other businesses will be negatively affected.

These points are made in the context, let it be clear that we support the basic policy directions and stated economic objectives of the government. We are pleased to see business people, as professional accountants, and as citizens and as human beings that the government has taken for a course of action to reduce suffering in Ontario, speed the recovery and move towards restructuring our economy to flourish in a changing global environment. We support sustainable growth as an objective.

Mr Christopherson: Mr Porter, I want to thank you very much for your excellent, articulate presentation. It is important for all of us, and for those Ontarians who are paying attention and will read the Hansard from these discussions, to appreciate that there are objective business opinions that concur with the direction that we have taken. The opposition has been trying to portray the budget as wild-eyed socialists having gone crazy with the purse. In reality, as we see it, is something completely different. I am confident that by the end of these provincial hearings on the budget there will at least be a balanced opinion on there that would suggest that there are a goodly number of objective professionals, as well as ordinary citizens, who recognize that what the government did was a prudent course of action, that indeed it is a good budget for these times.

I note that you talk about your clients not being abstract or faceless business entities and that they are everyday people who are very close to their businesses.

I would like to focus my question on a statement made in the middle of the second page of your presentation where you state, "It is right and proper that the government of Ontario attempt to soften the blows, shorten the length of the recession and prepare for the recovery." I would like to ask you what you think would be the plan of Ontario with regard to that statement had we not gone the direction we did, but rather had gone the way that the federal government has, which would be to chop service, hold the line and make that budgetary concern, that debt constraint, the priority and ignore all these other things. What do you think, from your perspective, would have been the result in Ontario for the people who you work for and represent?

Mr Porter: Let me start this way. I think a lot of the smaller and middle-sized businesses that we represent were very much affected because they provide services to working people. Some of them provide services to other businesses, but many of them provide services directly to employees. It seems to me that following a course of action of maintaining even the deficit of approximately

ion would have contributed quite dramatically to increasing unemployment. It was that, probably above all, the psychology that creates, the kind of conservatism people have where they will not spend because they are not sure they are going to have a job tomorrow, that really affected markets for smaller businesses. While on the one hand you are preserving jobs, on the other hand you are helping to create an atmosphere in which people are more confident that this thing was going to find a bottom, that things were going to turn around, and just created an economic climate where you could actually find customers. So from a small business point of view I think it is probably the most significant psychological impact. I do not think there is very much in the budget that goes directly towards giving things to people. It is maintaining existing programs, it is building capital expenditures and that sort of thing. At the day-to-day level of smaller businesses that is the single biggest impact. Ordinary people began to believe it was not a bottomless spiral and they could look to a possibility of coming out of the recession.

Mr Jamison: I have just one fairly quick question. You stated in your submission that there is a view "that the heavy economic engines in Ontario cannot be allowed to go down unattended or fall further into a state of disrepair." As you may know, we have invested in the future by investing in the infrastructure of the province. You go on to say, "It is right and proper that the government of Ontario attempt to soften the blows, shorten the length of the recession and prepare for the recovery." If we had not done what we have done in the budget, do you feel the recession could be a longer, deeper recession?

Mr Porter: We now know that all the statistics seem to be pointing to the fact that the recovery began in the second quarter, although at the same time there is a very strong body of opinion that says it is beginning rather weakly and inconsistently. I said our firm is quite optimistic and we believe that a lot of recessions end that way. All the statistics do not turn suddenly at once.

Again, the single biggest thing was a clear signal from the very large province, a very important province, that it was not going to go along with simply fighting deficits, that it was going to actually put a block under this recession as much as it could and to turn and signal to people that somebody was going to play Tom Henke, if you want, and be the stopper. I think that was the single biggest message from the point of view of fighting the recession.

The future, in terms of working with the private sector to develop high-tech, high-value-added jobs—I think that is the terminology used in the budget, and which I agree with—is the real way to have a sustainable long-run recovery and to really turn the problems in Ontario manufacturing around. I think the indications of that are in the budget.

Mr Kwinter: I would just like to make a comment before my colleague speaks. I have never heard such garbage in all my life.

Mr Porter: Thank you.

Mr Kwinter: You said yourself there were signs of the recovery in the second quarter. The budget did not

come out until the end of the second quarter. There has been very little money spent on anything to date. There have been projections of what they are going to spend. To say that the best signal that ever went out is that someone is going to take control—if you read anything about the budget, it was just the opposite. People were saying the greatest concern was about the deficit. Whether they understood it or not makes no difference. I am talking about the general public. The reason we are having these hearings is because of the general feeling against the budget, and to suggest that the greatest thing that happened in this budget was that it gave a sense of confidence to people, that Tom Henke was in there as a stopper, is absurd. It is absolutely absurd to listen to this. I cannot believe it. Carry on.

Mr Porter: Is that a question?

Mr Kwinter: I said I just wanted to comment before my colleague asked a question.

The Chair: Normally he is not quite so lucid in his opinions.

Mr Phillips: I tend to agree with my colleague. You are in a different world than I am in terms of the business community. I will ask a question, though, on another comment you made, that you see the economy recovering a lot better than the budget figures. I would be interested in your estimates, because obviously you know the budget really well. What are your estimates for the recovery and, therefore, if those numbers you predict are right, what kind of surpluses should the government be running as it moves into that?

Mr Porter: I really have not worked out what I think the future budget should look like. We would look at the economy on a quarterly basis in our own firm, and the last look we had was just last month. People are talking now about 2.6% and 3% kinds of growth. We really felt the growth would be more in the neighbourhood of 4% in 1992. We do not believe the inflation targets the Bank of Canada has set will be reached, at least we hope they are not, because if they are, we believe it will be a fairly brutal experience on the economy. This is a national organization. We have not worked through for Ontario what we think that will mean in terms of increased tax expenditures and that sort of thing and exactly how the deficit should decline and so on.

Mr Phillips: I find that curious because in your document you say: "Our own view is that the provincial economy will recover somewhat more quickly and reach somewhat higher levels than is predicted in the budget papers. If we are correct, we recommend reducing provincial deficits more quickly."

Mr Porter: That is all we are recommending. We are not giving exact numbers.

Mr Phillips: I assume you have looked at this. You have obviously projected out, I gather, what is going to happen to the provincial economy. What would you therefore be suggesting to the government in deficits?

Mr Porter: As I said, we have not worked through it from the point of view of what we think the impact would

be on tax revenues on the one side or the expenditures and program spending on the other side, so I am not in a position to tell you what I think the deficits should be.

Mr Phillips: What are you predicting for economic growth, then?

Mr Porter: As I said, I think in 1992 we can look at a 4%—

Mr Phillips: Real growth?

Mr Porter: Yes.

Mr Phillips: And if that were the case, what kind of deficit do you think the government should be running?

Mr Porter: I have tried to answer this question twice already.

Mr Phillips: I am relying on your credibility in this thing in that you have obviously studied the budget, and I assumed you had looked ahead at what your firm believes economic growth will be and what the deficits will be. One of our concerns is that, for ever, for the next 10 years, with economic growth at 4%, we are still looking at deficits of \$7 billion, \$8 billion a year. I had thought your firm had done some analysis and said it was predicting a certain growth and therefore deficits should be lower.

Mr Porter: We do think they should be lower. Because we think the economy will grow a little faster than the budget working papers predict, we believe it will be possible to reduce the deficits. On the other hand we also talk in this same presentation, and our view is, that the government should develop with the private sector a number of programs in terms of helping to develop productivity, high-value-added jobs, research and development and so on. Really, it is part of the capital fund for increasing expenditures on that side.

Mr Phillips: By the way, is your firm in agreement with the way they are planning to account for the capital fund?

Mr Porter: We think it is a good idea to separate operating and capital funds.

Mr Phillips: But do you agree with the way they are going to account for it?

Mr Porter: I cannot answer the question because I am not sure. I have not looked into the details of how it is planned to be accounted for.

Mr Phillips: It is quite important. As somebody who has studied the budget, I think they plan, as I think you know, to show virtually no cost to the capital for the next four years. I would be interested in the accounting community's view on that because most of your private sector clients wanted to show some appreciation. I think it is hocus-pocus finance but I assume your firm studied the budget. I would like your view on that.

Mr Porter: No cost account? What do you mean, they are not showing depreciation? What is it there?

The Chair: Time is up.

Mr Phillips: Maybe you could give us your view on that in writing. I have asked a few others, if you would not mind.

Mr Porter: I will look into it, sure.

1100

The Chair: The next five minutes for the Progressive Conservative party.

Mr Sterling: I am totally amazed at your presentation today because I have always thought CGAs represent small business. I have not met one small businessman, woman in my constituency who has anecdotally said they could understand where the government was going on the budget. They are not only in disapproval but they are frightened by the fiscal policies of this government. I have been in politics for a long time and I have followed a number of issues which the CGAs have been involved in very much and I am very cynical about this presentation and its motivations. I do not want any other questions.

Mr Jackson: Just to build on that, can you name at least one of your Ontario-based small business clients who has told your firm they support this budget? Has a client called you up and said, "Look, we're just wild about this thing," or, "We think it is supportable, we think it is good for my business"?

Mr Porter: Yes, I could name clients because I have personally received phone calls from clients who support the budget. It is not my business to do so. Relations between clients and accountants are confidential in nature.

Mr Jackson: Do they know you are taking this position on behalf of the firm and referring now on record that you have received support from your clients for this budget?

Mr Porter: Any of them who have talked to me about the budget, which is a lot of them, know where I stand on the budget.

Mr Jackson: That is not what my question was. My question was, do they concur with your—

Mr Porter: We did not sent any announcement to—

Mr Jackson: The kind of firms I work with normally do that. Yours does not publish a letter of analysis? You are not that large a firm.

Mr Porter: We do. We send out an analysis of the budget.

Mr Jackson: Could you submit that to this committee so we could have a look at what your firm said as opposed to your personal views on this matter? Could you make that available to this committee?

Mr Porter: I can do that but I cannot do it today.

Mr Jackson: What was your firm's position? I understand your personal position in terms—

Mr Porter: When you receive it you will find that what we do at the time is simply send out a statement, basically, of fact. This is reasonably traditional among accounting firms. The commentary is almost kept to nil and you basically report what is in the budget and report what the basic statements of the Treasurer of the day are, whatever the political persuasion of the Treasurer. It is a fairly non-political statement.

Mr Jackson: And your senior partners would have met to discuss these matters. Are you one of those or that—

Mr Porter: I am one of the founding partners. We met to discuss it.

Mr Jackson: And that is the consensus of your partners?

Mr Porter: Yes, the consensus, that is true.

Mr Jackson: Okay. Are you aware of the government's need to raise \$1 billion in revenue each month of this fiscal year?

Mr Porter: It would have to be somewhere near that based on the deficit.

Mr Jackson: And are you aware that the current tax mechanisms available to this government, with its sent projections, would indicate that it will fall short?

Mr Porter: No.

Mr Jackson: If that were true, what in your view as economist would be the options of the government faced with that reality?

Mr Porter: I am not an economist, I am an accountant, first of all.

Mr Jackson: Thank you for correcting me. You sound more like an economist than you do an accountant, but I apologize.

Mr Porter: I have not said "on the one hand" or "on the other hand" all morning.

Mr Jackson: That would make you sound like a politician.

Mr Christopherson: And then he would be like you.

Mr Porter: Can you just summarize this? You are saying the government is falling short by \$1 billion a month.

Mr Jackson: I have been advised by certain persons to have analysed the budget that there is a shortfall in revenue projections, even with the \$10-billion deficit and certain optimistic growth projections for revenue. As an accountant, when that situation occurs, what options are available to a government?

Mr Porter: The only options available if you still have a shortfall is you have to increase borrowing, increase taxes or cut expenditures. Those are the three options any government always has.

Mr Jackson: Which of those options do you think would be in Ontario's best interests if that were the case?

Mr B. Ward: Hypothetically speaking.

Mr Jackson: He has been answering hypothetically all morning.

Mr Porter: I wanted to start off by saying that this is hypothetical, because you are telling me this. It is obviously that kind of thing.

Mr Jackson: It has occurred in most of the last few years, incidentally, that we have had a shortfall. That is well known to you, I am sure.

Mr Porter: Obviously, some form of prudent mix is what you need. I do not think you do one or the other.

Mr Jackson: So you are referencing to the wealth tax or to this land speculation tax as a potential supportable document for you as an accountant, a supportable approach?

Mr Porter: I stated here what we thought of the land speculation tax. We thought that certainly principal businesses should be exempted, that is, people who really do develop land. Otherwise, it will cause a disinterest in developing property in Ontario.

Mr Jackson: What about the transfer of properties, like a nursing home or whatever, a day care centre, anything of that nature, private business that extends into the social sector?

Mr Porter: You ask me if there should be a tax on that kind of transfer?

Mr Jackson: That is what would be embraced by land spec tax or land transfer and land spec tax.

The Chair: Our time is up, so I must interject and thank you for your presentation.

Mr B. Ward: On a point of order, Mr Chairman: I am a little bit troubled by the comments, I think from Mr Kwinter, I realize in the heat of the moment. We have individuals we invited to come down to give presentations on their points of view of the budget, and I am going to have some difficulty in accepting what I hear at times from certain groups or organizations, but I really do not think we should use words like "garbage" or other words that I think are inappropriate for this committee. Sure, we can disagree and we can ask pointed questions, but that was a little bit extreme.

Mr Jackson: I would have used "irresponsible" myself.

Mr B. Ward: I am expressing my opinion. I do not think it is appropriate at this committee to use language like that when we invite people down here to express their opinions.

Mrs Sullivan: That is not a point of order.

The Chair: I do not think we should enter into a debate on this. I think we should maybe take that as a consideration, that we would like to have a nice atmosphere in here so that a good exchange of information can take place. Thank you again for coming and for your thoughts and opinions.

Mr Porter: Thank you very much.

1110

FAIR SHARE FOR PEEL TASK FORCE

The Chair: Our next presentation is from the Fair Share for Peel Task Force, Hal Brooks, chairman. We have allocated half an hour of time. The length of your presentation will be subtracted from the half-hour and whatever time is left over will be equally divided among the three parties for questions. Thank you for coming. We will just have a moment while the brief is handed out and then we can begin.

Mr Brooks: Mr Chairman, members of the legislative committee, good morning and thank you very much for the opportunity to meet with you. My name is Hal Brooks and I am currently the president of the board of directors of the United Way for Peel Region. This morning I am speaking to you on behalf of the Fair Share for Peel Task Force, a group of major child and family service agencies in our community. With me is Mr John Huether, who is the executive

director of Peel Children's Aid Society and also a board member of the Peel United Way.

We are concerned about our community. The infrastructure required to meet child and family service demands in Peel is clearly inadequate. Furthermore, the gap between demonstrated needs and service capability is now widening. The implications of this gap are indeed serious and we believe they challenge the social stability within our region. Peel, like other outlying regions in the greater Toronto area, has experienced dramatic population growth. With that, rapid transformation from a rural to very much an urban profile has occurred over the last decades.

The Ministry of Community and Social Services not long ago released the Children First report. As you are well aware, this document makes an impassioned plea that the wellbeing of children and the protection of their entitlements must be society's highest priority. This is certainly consistent with a number of related initiatives, some even international in scope. I refer here of course to the United Nations Convention on the Rights of the Child.

The agencies that provide for children and families in Peel are frustrated, frustrated because the tremendous growth and need in the region have far outstripped the capacity to meet it, frustrated because the primary resource allocations from the province do not presently recognize this growth nor provide for it.

Nevertheless, we were heartened by the adoption in the Legislature in June of resolution 15:

"That, in the opinion of this House, recognizing that there currently exists a chronic underfunding of social services for children, youth and families in the region of Peel, which has caused a report to be prepared by the Fair Share for Peel Task Force consisting of volunteer presidents and senior staff from the Children's Aid Society for Peel Region and the United Way of Peel Region, which report has clearly shown the need for a consistent method for allocating provincial grants for social services, the Minister of Community and Social Services should take concrete steps to increase the service base to a satisfactory level over a five-year period and develop an equitable funding formula that recognizes population growth and social indicators."

We commend the Legislature for recognizing both the seriousness of the issues at hand and the need for decisive action on this front on behalf of not just the children and families of Peel, but of Ontario as well.

Regarding the report of the fair share task force, I would draw your attention initially to the page which lists organizations in Peel which have so far provided formal support for our initiative. These represent broad-based and grass-roots organizations in our community.

The main body of the report, and I believe everyone has a copy, chronicles the allocation of provincial funds to our community in various categories. In each case, typical service implications for Peel agencies are highlighted. For example, on page 7 you will notice towards the bottom that the Peel Children's Centre has wait lists of approximately 14 months. Even cases of extreme need will wait four or five months for service and there are presently no crisis intervention services available in Peel. In the child welfare category on page 11 is another example. If you go

to the last line, you will notice that the per capita support for Peel is less than half of the provincial average. In fact, it is the second worst in Ontario, slightly ahead of York Region, which is another GTA region, as you know. This places tremendous strain on children's aid society programs, and some of the implications are listed on pages 12 and 13 at the bottom. Similar findings are reported in categories of child care, developmentally challenged family services.

Let me give you some very typical case studies provided by the Catholic Family Services of Peel-Dufferin.

Mrs A called the Catholic Family Services of Peel-Dufferin to get help for her two school-aged children, Sarah and Peter, who were having behaviour problems at school. They had seen a social worker at school who assessed them and felt they needed longer-term counselling, which the school could not provide. The school social worker felt that the children were experiencing many problems because they had witnessed the murder of their father two years earlier. Six months after the original call, they are still waiting for service.

A second one: Mr B recently contacted the agency to get help for his son, who had been sexually abused by a relative. They had just completed a very agonizing trial which had resulted in a conviction of that relative. They had received great support during the trial from a court-appointed psychologist and others. Several months after the trial, however, Mr and Mrs B's marriage took a turn for the worse under the weight of the trial experience. Mr B called the agency for help but was placed on a waiting list. Five weeks later he called back to say his wife had forced him to leave the house, and they are still waiting for help from the agency.

Finally, Mrs C called the agency recently because her marriage was falling apart. She and her husband had tried to sort out their problems on their own without success. They called family services to get help to make their marriage work. They have two young children, Tim and Wayne, and would prefer that the family stay together. Several months after the original call, Mrs C called back to say the situation was getting much worse. Several people had suggested lawyers, but they did not wish to separate. They were unable to afford a private therapist. Separation will probably mean Mrs C will have to apply for family benefits.

We could go on and on. These are real-life situations that currently exist in the region of Peel.

What do we want from Ontario? Primarily and first of all we would like recognition that children and families are the greatest and most important resource we have in this province, and then funding priorities which reflect that commitment. Second, we would like recognition, as resolution indicated, that areas with high population growth have not been well served by the current funding algorithms. Redress is required to provide some form of equity of service, and we look forward with considerable hope and anticipation to working with the government in addressing these issues in a very co-operative and collaborative fashion. Thank you very much.

Mrs Sullivan: I am very interested in your presentation. I think you make a compelling case. Coming from the

ighbouring area of Halton, which has not experienced the same amount of growth that Peel has but certainly has had the same pressures on children and family services, I would like to ask some very specific questions. First, have you completed in Peel an infrastructure review that includes both capital and operating needs for the long term and presented that to government? Has that exercise been gone through in Peel?

Mr Brooks: I could ask John on some of the specific questions, if you would not mind.

The Chair: You could perhaps introduce him.

Mr Brooks: John Huether, as I mentioned at the outset, is the executive director of Peel Children's Aid Society. He is also a board member of the United Way.

Mr Huether: In 1988 we conducted a needs study outlining some of the priorities within the region, which has been submitted to government. In terms of prioritizing capital expenditures, no, we have not done that.

Mrs Sullivan: Do you also have a joint committee—this is just sort of information-gathering—of people who are involved in the delivery of children's health and care services who work together to present priority lists to the ministry in terms of funding?

Mr Huether: We do have an interagency committee that is working on formalizing the kind of structure you are talking about. On an ad hoc basis, we have co-operatively worked with the local area office in prioritizing needs and use of the available dollars within the region. Our problem is, how do we stretch the dollars? There are only so many things you can do with the dollars and it is a Hobson's choice we are faced with.

Mrs Sullivan: Have you joined with other children's aid societies in the growth areas that are facing intense pressure on their budgets and that have been operating and are operating in a deficit position? Have you joined that particular group of children's aid societies?

Mr Huether: Our children's aid society and board are actively participating with the Ontario Association of Children's Aid Societies' board and funding committee to present the issues and to try to see that they are addressed in a systematic way. We are not making fast progress, but the association had a meeting with the minister in the spring. Another one is scheduled for the early part of September. She has assured us that she sees there are fundamental problems with the child welfare funding formula and is prepared to work with us to try to address that. At this point in time, there have been no additional dollars provided to address that and there are a number of societies in the GTA that are in very serious trouble.

Mrs Sullivan: Including our own.

Mr Brooks: Could I add to that an additional response? We recognize beyond the CAS, which is certainly a critical area of need, other agencies that are reflected in categories in this report. We have worked in some concert and collaboration with regions like York to make them aware of what we are doing. I understand they are in the process of releasing a report not unlike this one; their chronicles. We recognize that these are GTA issues and

there has to be some response which is co-ordinated, but we are here today because we represent the particular issues within Peel region.

Mrs Sullivan: Certainly in the budget hearings, because in the budget you do not see these problems being addressed nor a beginning.

I want to ask a question about commercial child care. Do you see the recent changes in policy relating to the funding of pay equity programs for commercial child care as affecting the availability of child care in your area?

Mr Huether: Yes.

1120

Mrs Sullivan: Would you like to comment further on that? How many of your young people are in commercial child care centres now?

Mr Huether: Our task force has not looked at that particular issue in specific terms so I cannot give you specific examples, but it is a reality in Peel that the commercial child care centres have made up a reasonably high proportion of the centres in that community, and there is no question that they are having considerable difficulty surviving.

Mrs Sullivan: In Halton, I think more than 70% of our children are in commercial child care centres and I wondered if the figures were comparable.

Mr Huether: I am sorry, I do not have the figures available to be able to talk to that other than to say that in general terms there is a decline in available child care spaces.

Mr Jackson: I would like to build on that question because I think one of the offensive priorities of the current socialist government is its interest in building child care spaces but not providing the subsidies or allowing the current system to expand naturally with some funding, but rather to shut down one sector. There is a delay in that. We understand where they are coming from, they support that, but there is a cost in the transition because you are putting money into building competing child care spaces at taxpayer expense when there is an incredible demand, particularly in Peel—there is across Ontario, but it is particularly acute in the GTA because of growth—for subsidized spaces or for increased subsidized space levels.

I think that really hits at the nub of an offensive priority where money may be going into capital but that money could be going into program. Is that the concern being expressed? It has nothing to do with the philosophical argument of for-profit or not-for-profit; it is just that for every dollar you are putting into bricks and mortar you cannot be helping a family who is on a waiting list.

Mr Huether: I think my perspective of the problem of available subsidy dollars for child care in Peel is that every single additional cent that might be available for social services or any soft services in the region is going into paying the 20% of the municipal share of welfare, and therefore the region, even with a significant tax increase, is not able to pick up the available spaces that can be made because it cannot afford to put an additional burden on the property tax base. That is an incredible dilemma that the

regional government is facing and is something that I think is of much more concern in terms of its impact on the number of subsidized spaces available.

Mr Jackson: Let me move into that area then. One of the other offensive priorities of this socialist government which concerns me is that it has shelved the Provincial-Municipal Social Services Review Committee report, the Ron Book report, which I thought was a fairly good document in terms of bringing focus to the relationship between municipal funding levels and provincial responsibilities. Obviously that document made some recommendations—we are pleased it went that far—showing the changes in ratios.

My understanding, from discussions at the deputy ministerial level, is that that this whole document is dead, that the years of progress we thought we were getting towards in terms of stabilizing not only the formulas about participation but also acceptance of growth factors which have become so acute in York and Peel—and you are at the top of the list for how serious this problem is in this province.

Are you concerned about the fact that the government seems to be turning its back on these reforms but is rather infatuated with some other reforms that have little, if anything, to do with children's mental health services and social service delivery?

Mr Huether: Our task force has not specifically looked at the details of the PMSSR but there is no question that the governance issues, which is what you are talking about in terms of social services, need to be addressed. The Children First paper that Hal made reference to also raises that as a fundamental question that needs to be addressed.

Mr Jackson: My final question has to do with this whole issue of children's aid societies because, like Mrs Sullivan, coming from Halton, we are quite aware of the dire straits that children's services are in particularly in the GTA and in northern Ontario which it is also experiencing severe cases.

The budget document sets out the government's priorities. They cannot do all things for all people. The day before the budget they wrote off some \$200 million owing with respect to the Dome. They made a major transfer, about a third of a billion dollars, to the teachers' pension plan. There were some very subtle priorities expressed by the socialists and yet we did not get confirmation that there is enough of a buffer in the Ministry of Community and Social Services to accommodate the adjustment in your growth factor.

I am not disputing that it took four or five months to get the minister's attention to a meeting. You got that. There is speculation in the paper that we are going to have a new minister so the whole thing is going to be set back another little while.

The fact is that there is no money in this budget to address your concern. That has been confirmed at the deputy ministerial level. How do you feel about the fact that we have seen no indication that the government is prepared to cut from other programs in order to honour its informal discussions with you to address a serious problem facing children? I know what it means in my region. The

increased suicide rate among our youth is the most graphic demonstration of the cost of this offensive priority.

Mr Brooks: Just to respond, we recognize that government faces some very tough decisions. We do want to minimize those choices that you face at all. I guess our position and the reason we are here, as I mentioned the conclusion of my comments, is to make an immodest plea that children and families represent the highest priority within this government and, second, that the whole allocation system be thoroughly reviewed because what is inherent in it right now are some really gross inequities.

It is fine within the GTA for communities like 50,000 and 100,000 people to spring up. Somebody looks after the roads and the sewers and perhaps, if we are lucky, the police force, but there are a lot of other soft services that have to be put in place and there has not been recognition of those growth factors in the past, and we are hurting.

1130

Mr Christopherson: I think within the issues that you raise you have probably dealt with, one way or another, half the issues that impact on this government. The other half, part of your comments about the infrastructure and the relationship with municipal governments and the need there are ones that are very close to me, having spent 25 years in local government before I came here myself.

I was also interested in the concerns and references made both by questions and in your comments to PMS about the Hopcroft report, the whole issue of disentangling the infrastructure. All of these are priorities for both levels of government and certainly all the services that are contained within the communities that are mentioned. Children and families are a top priority, I would suggest to you are one of the driving reasons why you have a budget such as we have in front of us here in this province.

It was mentioned by previous members that certain things were not addressed and some things were omitted. I would like to make a statement and put a question to you: that one of the things we attempted to do was to follow a philosophy that said we cannot walk away from the people of Ontario during this major recession, the most important and deepest recession since the 1930s. We cannot walk away from those people and ignore them, and so we have done everything we can to maintain the kind of service, beef up the services where at all possible, and still try to remain as fiscally responsible as we can. Quite a balanced act.

I would like to ask you, first of all, if you believe in general, that thrust during a recession is the right thing to do, and if it is—and I am asking this hypothetically—how would following the other approach, the Mirony approach, have impacted on the agencies and the people you represent? If we had held the line and cut back on services and not recognized the need to at least maintain, how would that have impacted on the people and the agencies that you represent?

Mr Brooks: Perhaps we could both respond, and I could go first.

Mr Huether: One thing that needs to be recognized about the services we provide is that our volumes go up in

ce of a recession. The number, for example, of credit counselling referrals that have been made to Family Services of Peel that it cannot respond to are approaching 300 and 400. So as the government responds in terms of making available the funding through GWA and FBA, it needs to recognize that there are a group of support services like Family Services of Peel for credit counselling. Our agency is faced an average of 100 additional families a month at we are having to serve. Our abuse statistics, in terms of allegations, have gone up significantly over the last eight months, and yet we have no additional capacity to respond to that. So that would be part of my answer.

The other reality, I have to say, is that in answer to your question about the federal government, it is very clear that the government is facing the negative impact of the limit on the Canada assistance plan, and that is affecting all of our ability to respond to the people because of that limit. It is clearly that has had a negative impact on our ability to respond and your ability to support us.

Mr Brooks: In making reference to the cap on CAP, I could certainly agree that in economically troubled times focus on people, people being the priorities, is important. In terms of the decisions you face, what gets the funding and what not, you face some very tough decisions, and I really cannot comment in terms of what goes and what stays, other than to say that we represent and feel passionately, at the grass-roots level, that the impact on children and families within our community because of the growth has been bad enough. The recession, as John has just mentioned, through Family Services, Rapport Youth and Family Counselling, all these, adolescent services and so forth—when families are under stress, they tend to fracture, and it is agencies such as ours that are expected to pick up and run with the ball, and we are hurting.

In terms of the juggle of priorities that it comes down to, I guess what we are asking for is that children and family services—furthermore I would like to applaud you. The mere opportunity to come and talk about these things and for the government to open the doors to say, "Let's sit down around a table and deal with the issues in a very up-front fashion," the mere opportunity to dialogue is refreshing. I would encourage you to proceed in that direction.

Mr B. Ward: I represent the city of Brantford and I assure you that although we have not had the same growth as Peel from a population standpoint, we do share economic pressures and, as a result of the recession, the ever-present need for social services.

I asked this question of a previous participant. There are some groups and organizations in this province that are criticizing our government for taking the stand we did in this budget and ensuring that the effects of the recession from an economic standpoint, are lessened as much as possible on the grass-roots people, the working people in Ontario. We have been criticized for that, and these groups are saying we should be cutting those programs, we should be cutting out the social safety nets. What I am hearing from you in fact, because of the impact of the recession, is that there is an ever-present need for services that you provide. In fact, it is being underfunded to a degree, not

only from the growth standpoint, but also because of the impact of recession.

Am I clear on that? I believe that was the gist of your presentation, that rather than cutting the programs of organizations that have been crying to us and criticizing us for not doing it, in fact more money should have been allocated, if possible.

Mr Brooks: I have two responses: First is, I think it is incumbent upon all of us to adopt a spirit of continuous improvement in the way in which service is delivered, so that we get the most efficient and effective delivery of service for the dollar investment. I mean, we have to do that and we have to be encouraged to do that; to sit down and work collaboratively so that there is an overlap in service and that the money is not going into bricks and mortar—

Mr B. Ward: Or more properly, duplication of service.

Mr Brooks: Duplication of service and those kinds of things, that is part of it, but fundamentally, within that process of dialogue and with the government, to recognize the inequities that exist in the allocation systems, and some of them are chronicled in the report, as I mentioned. For Peel to have doubled its population in a little over a decade, the funds to provide that infrastructure are not there, so that what we end up doing is Band-Aid stuff. It is like a balloon: You squeeze it here and it pops out over there.

The Chair: Time is up.

Mr B. Ward: Quickly, I did not see anything on day care, and there seemed to be a focal from our friends across. Which page was it?

Mr Brooks: There is a day care package on page 12.

Mr B. Ward: Did I miss it?

Mr Brooks: Yes. I highlighted a couple, pages 9 and 10. Page 9 is the statistics and 10 is the analysis.

The Chair: Time is up anyway, gentlemen. Thank you for coming and for your presentation.

1140

ALLIANCE FOR EMPLOYMENT EQUITY

The Chair: Our next presentation is the Alliance for Employment Equity, Handel Mlilo. Please introduce the person that you are with and begin your presentation.

Mr Mlilo: I am Handel Mlilo. I am co-ordinator for the Alliance for Employment Equity, and with me is Carol McGregor, co-ordinator for Disabled People for Employment Equity. Mr Chairman, we would like to thank you for the opportunity of speaking to you today about the first budget presented by the New Democratic Party.

The Alliance for Employment Equity is a coalition of 65 organizations representing women, visible minorities, persons with disabilities and aboriginal persons. We were formed in 1987 to lobby the government to introduce mandatory employment equity legislation in Ontario.

Disabled People for Employment Equity is a broad-based coalition of 33 disability organizations representing the thousands of people with disabilities in Ontario. DP has been in existence since 1985, following the release of the Abella report which identified persons with disabilities

as being among the most disadvantaged group, economically and socially, in this country. The primary mandate of DP is to press for mandatory employment equity legislation both on the federal and provincial levels.

We are here today to express our concerns with the budget that was introduced on April 29, 1991. We are quite aware of the attempt by the opposition and business to attack this government for the current deficit. The fact remains that this government inherited a \$3.5-billion deficit from the previous Liberal government. This came in spite of the assurances from the then Premier Peterson that the budget was balanced.

Attempts by critics of the NDP government to blame the deficit on overspending will not fool Ontarians who know that the primary responsibility for the recession in Canada must be laid squarely at the feet of the present Conservative government in Ottawa. Its fiscal policies of Reaganomics have resulted in 250,000 workers being laid off by the time the NDP budget was introduced in Ontario.

In order to deflect criticism of their own inept financial policies, the Tories chose to attack a government that was attempting, in our opinion, to deal with the recession in a responsible manner. The NDP chose to assist those most affected by the recession.

From the point of view of employment equity advocates, creating jobs or preventing loss of jobs must be seen as a priority issue. The people on whose behalf we advocate are usually the last ones hired and the first ones fired. While there have been some gains for women and racial minorities in the past few years, the recession has negated this today. Persons with disabilities and aboriginal peoples are still unemployed in large numbers.

It was estimated that disabled people had an unemployment rate of 80% prior to the recession, and we now know that these numbers have risen considerably during the recession. Reports from food banks indicate that disabled people are having to rely on this service just to exist from week to week. Approximately 35% of aboriginal peoples are employed for less than six months per year and aboriginal women earn approximately \$5,000 annually. I would like Carol to continue from here.

Mrs McGregor: We understand the difficult position that the Treasurer was in in attempting to deal with the overwhelming problems facing this province, but we have some serious concerns about the budget that we would like to address at this time.

1. In the budget, \$24 million was allotted to the public service for employment equity initiatives. Of these monies, \$11 million was committed by the previous Liberal government. The budget is strangely silent on funding for the new Employment Equity Commissioner. In fact, we know that the commissioner received only \$1 million to carry out her mandate of developing legislation. This is to include the cost of consultation throughout the province. This makes one wonder about the true commitment of this government to employment equity.

2. The budget makes no mention of extending funding for accommodation for persons with disabilities in the public service. At a time when various ministries should be encouraging persons with disabilities to apply for posi-

tions, this omission could have serious repercussions. In fact, it is now taking up to one year to accommodate an employee who is disabled within the public service. This is totally unacceptable from our viewpoint. You will not be able to retain disabled people within any ministry if you are not able to accommodate them.

3. In its budget submission, the government recognizes the importance of education and training for jobs. In its previous submission that we made prior to the budget, we pointed out that students with disabilities at colleges and universities must have expanded funding to compensate them for their extra expenses incurred as a result of accommodating their disability while attending post-secondary education. There is nothing in this budget to address that problem.

4. If a person wishes to access programs on job training, he or she must have a job in the first place. For aboriginal persons and persons with disabilities, those opportunities have not existed previously. We are not able to access those programs and, again, there is nothing in this budget to address that. Where are the training initiatives that will enable these groups to enter the workforce?

5. In the budget there is a reference to equity for aboriginal peoples. There is a commitment for \$48 million to assist aboriginal peoples in establishing self-government and land claims. However, there is nothing to assist large numbers of aboriginal peoples who live in urban centres. Off-reserve people are not fully represented in the budget.

6. In the budget there is a strong commitment to equity by this government. The years of discrimination towards women have unfortunately made it necessary for the government to respond in this fashion. However, we would like to point out that if previous governments had introduced mandatory employment equity legislation, there would not be this necessity to correct past wrongs. Mandatory employment equity legislation would have achieved the same objective and would have assisted all three designated groups simultaneously.

This budget attempts to respond to the ravages of a serious recession. If the opposition is indeed concerned about the deficit, then it should be working in partnership with the government to find solutions that will alleviate the pain caused by this recession. The charade of public hearings will do nothing to put food on the table for workers who have been laid off. It is not going to assist disabled people who have to continue to use food banks in large numbers. The charade will just increase this deficit. The voters of Ontario will not be misled.

We urge the government to stay with the values that got it into office in the first place. It is these values that won them the right to form the government. We urge them to ignore their detractors and carry out the promises that were made during the election. Mandatory employment equity is just one such promise.

The Chair: Thank you. We have five minutes left for each of the parties, beginning with the New Democratic Party.

Ms M. Ward: I appreciate your advice, which you started off with, telling us to stay on track. You emphasize problems that the disabled face and I think that is a very good point to be emphasized. It is something that the public should realize could happen to any of us. We could at any point be disabled and be in that situation. Sometimes we have to appeal to people on their own self-interest.

What I would like to ask you is if you think we are heading in the right direction. I think I gather that from your presentation. You have some recommendations of things you think we should be moving a little faster on, the employment equity, but overall do you feel that the direction being taken is the correct one?

Mrs McGregor: We felt initially that the direction the government was taking was in the right direction. However, I must tell you that the disabled community in particular has serious reservations about the direction that your government is heading in.

We are not happy with long-term care, although I am hoping to let other people coming in this afternoon probably speak on that. Transportation remains an issue. As for employment equity, the recent speech by Juanita Westmoreland-Traoré gives cause to think that you are backing away from your previous commitment of Bill 172.

The disabled community is at a very militant stage. We have had promises from the NDP government. We worked very hard in consultation with your leader to develop Bill 172. This is a bill that he put his heart into. We put a lot of hours into trying to develop this legislation that would affect all the four groups and labour. This was not done just on a whim. To back away from this piece of legislation at this time would seriously damage your own reputation with our community.

We had been promised at a meeting in the fall with the premier that we would have employment equity legislation by this spring. Obviously, we do not have it. We were told at a recent meeting earlier with the new commissioner that we would have legislation come September. We will not have that legislation by September.

We probably will not get this legislation introduced into the House until next spring, following yet another round of consultations. We have been consulted to death about employment equity, about the wrongs that have been done to us.

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You cannot expect this community to stand back and support you while there are repeated attempts to stall. We are not getting people employed. Disabled people are not getting employed. I cannot emphasize it hardly enough. I have people out there who are in dire need. We are being hit very hard by this recession. We have people who are not getting attendant care until five o'clock in the afternoon. They are not getting breakfast until five o'clock in the afternoon. They cannot get out even to go and meet their own ministers because they cannot get transportation. We cannot even get people in the labour force; we cannot get them out of bed.

This group of people is being hit very, very hard by the cuts in services. I do not think this community will stand

still without some strong legislation, strong measures coming from this government, and we see this government backing off on disability issues.

Ms M. Ward: There have been increases for the disabled transportation, and the—

Mrs McGregor: The services have been cut back on transportation. I do not know whether you are aware that the city told the disabled community that they must be content with less on Transhelp.

Ms M. Ward: From what I understand about the buses—

Mrs McGregor: We may get that. There is a—

Ms M. Ward: There is an effort to stall at the moment because of the municipalities. The province wants to put in more funding for it but the municipalities have a problem with the matching fund.

I probably had better finish off my questions. In the employment equity, there was \$24 million allocated for initiatives in the public service, and the disabled, along with minorities and aboriginal peoples, are the target group of that. That is the public service.

Mrs McGregor: That is right.

Ms M. Ward: You need the legislation, I think, in order to get it to happen in the private—

Mrs McGregor: To the public.

Ms M. Ward: To the broader public, yes.

Mr Sutherland: I guess basically what you are telling us is that you feel this government has not done enough, quickly enough, on the issues of employment equity in terms of the legislative channel, but also on putting the money where our mouth is in terms of other programs within the public service and in those agencies that serve many of the constituents you represent. This seems to be a common theme that we are beginning to hear, despite the fact that we have a \$9.7 billion deficit. The demands and the needs are still very great out there and they have become greater.

I guess the other thing you are saying is you are getting very frustrated, and as people who have been patient for a very long time it is easy to understand why you are getting frustrated.

Besides what you have got in your document here, is there any other specific advice you would like to give in the area of employment equity?

Mr Miilo: Yes, I think so. What we are really urging you is to stick to those principles. One of them is lack of mandatory employment equity legislation. It is still as essential as it was before you got elected. It is even more so now because of the effects of a receding economy. The urge for me is, do not be distracted from those principles that got you here and let us get on with it.

Mrs McGregor: I would like to again emphasize the lack of accommodation in the public service. This has been coming to me more and more often. We have several people who have gone into the public service who have yet to be accommodated after eight months. This affects the job performance. It affects the way other employees view disabled people if you do not have the equipment to do your job.

I use a voice computer, for example. If I was to go into the public service, I would even tell you the process, because we are fighting with this government now to try to get one person accommodated. We have been trying now for eight months to get one person a voice computer and a scanner to do his job. Being blind, if you do not have this equipment—I was offered a job with the government, and it was very nice, but I still could not do my job because you guys could not give me the equipment. It is tendered out and to me, this is a ridiculous way to do business with disabled people because you are going to have to develop a large store of specialized equipment that is there so that you are not going to have to wait for months.

You cannot ask people to go in there to do a job and not give them the tools to do that job. I am very competent in what I do, providing I have that equipment to do my job. The people you have hired in your various ministries are very competent, but if you do not give them the equipment to do their job, they are obviously not going to be very efficient in their own job. There has to be a better way of serving the accommodation needs of people within the public service.

Mr Phillips: Thank you for a very good presentation. It is just one year ago, almost today, that the election started, as you probably remember, and I think your community played a big role in the change of government. I always carry the Agenda for People around with me because it certainly was used very much in the campaign and, as I say, I think your community played a big role.

As your community would see priorities, what would be the number one in terms of the government's taking action to be of the most assistance?

Mrs McGregor: You are talking about the disabled community?

Mr Phillips: Yes.

Mrs McGregor: The disabled community right now is not happy with long-term care. We are not happy with deinstitutionalization. We are not happy with employment equity legislation and transportation. Those four are probably all sitting up there equally.

We thought we were going to get something out of long-term care, and it is a very poor piece that came out. We are not at all satisfied with that, and people who are stuck, who are in institutions, you just have to read the cases going on with Christopher Robin right now. Our concern with the children in institutions is very great, and we have to look out for those because they are very vulnerable.

Employment equity legislation: Obviously we have to get our people off welfare. We are attaching a great priority to this. I for one am not convinced that this is going to be the be-all and end-all. The constituency I represent probably does feel that by the time we get this legislation, we are going to automatically get jobs. I am afraid we are not going to get those jobs when we see what is happening after five years on the federal level. Even if we were to introduce this, the backlash even within the Ontario public service is still fairly sharp against disabled people coming in. I am a registered nurse and I still was not initially deemed qualified for a job by anyone, even though I had

past work experience. We have a long way to go to accommodate people with disabilities.

I really could not put a priority on any one, but the four still remain top.

Mr Phillips: I think you say in your brief that a high priority is to create jobs, just jobs generically. As you can imagine, there is in this committee quite a difference of opinion about the impact the budget will have in terms of job creation in the province, and my own view is only time will tell. This is an interesting debate we are going to have here, but the proof will only be maybe in a year or two years from now when we see what impact the budget will have.

In terms of the groups and the people that you deal with, are you seeing any change now, in the last month or so, in employment opportunity? We hear the recession is ending. The budget is beginning to kick in now with a positive impact. Are you starting to see a pickup in the economy?

Mr Mlilo: When people say the economy is turning around, is coming up, the people I represent are probably the last ones to feel that. You know, last one hired, first one fired is not a position in which, right now, you start to feel any positive anything. We are starting from a disadvantage in the first place of discrimination in the workplace for the designated groups, and that disadvantage makes it worse during a recession. We applaud recession-fighting measures because they minimize to some extent the pain that the designated groups would suffer, which is even more in many ways.

But in terms of have I seen anything in the last month or are you asking me if I have seen anything in the last two or three years? There may have been positive things here and there for women in racial minorities, but we are just seeing a lot of designated group members who are just not accessing the workplace, because the workplace is still very discriminatory to them. There are dozens of examples of these of people who could come here and and tell you that despite their qualifications, despite their efforts, the workplace is not very friendly sometimes.

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Mr Phillips: You would say that the budget is recession-fighting. Is it? The concern some have is that it is fighting the symptoms of the recession, but perhaps rather than accelerating the end of the recession, it may prolong the recession. Does your group have a view on that?

Mr Mlilo: We have read also, as you have, the columnists who have said that perhaps this province took the right road in trying to deal with the economic problem that exist right now. I look at it from the point of view of somebody dealing with disadvantaged people. When somebody says to me, "We are trying one way or the other to minimize the effect of what is going on here"—and that is a positive thing—then I say: "Go on from there. Deal with these systemic problems that exist."

Mrs Sullivan: How do you see that having been done in this budget, the effect of the recession being minimized? From what I hear from you in fact, there has been none of that minimizing effect in your organization; you do not see that effect.

Mr Mlilo: No; I am saying any time you try to blunt increase in unemployment, you indirectly help us, because we are the ones that get there first in the unemployment situation, because of the historic disadvantages. That all I am saying. I am not saying that the claim that it is a recession-fighting budget is being seen, because I have not seen it. I am just saying that in any discussion where nobody is attempting to minimize unemployment rates during higher and minimize effects of economic recessions and so on, you have to look at it and say, people are doing something, at least in the immediate term, and hopefully longer measures in the longer term.

Mr Sterling: I am interested in your views on the projected deficits by the Treasurer over the next three or four years. We hear a lot about the \$9.7 billion, but we hear less about the deficit of about \$8 billion for the next three years, when we are supposed to be out of the recession and in a positive time. Do you think that the government should be operating at a deficit during that period of time?

Mrs McGregor: I do not see any other way the government is going to operate except in a deficit. We have no problem with the deficit from our perspective. Disabled people never have any money to begin with. We are always living on a deficit. We would like to see the government continue on its course, I think from our perspective, if we had some decent legislation that would enable disabled people to have jobs.

You have to look at the cost of keeping a disabled person at home each year. You are paying people who are qualified, people who have got university degrees, college degrees, to sit at home and collect welfare up to \$21,000 and \$25,000 to \$26,000 a year with support services. If that person were enabled to enter the job market, that would take that burden off it. The other taxpayers would not have to pay.

I do not know of any other society that is so willing to keep disabled people sitting at home collecting welfare as Canada is. We are the last industrialized country to bring disabled people into the workforce. We have such an aversion to having to look at someone who is disabled. I really think that if that legislation is in effect we will start to see a little bit of a shift. Employers will be forced to look at hiring disabled people. That is going to take some of the pressures off the taxpayers. They are going to see the value of having such legislation and perhaps see the value of introducing such positive legislation.

Mr Sterling: My concern is the ability of future governments to take care of special problems of many of the people you represent. My concern is that by continuing to load up the total debt, or the deficit, you make future governments less and less capable. They are less capable because they have fewer dollars to deal with those problems, to support people who are deinstitutionalized and to help people in the community who need extra help.

Mrs McGregor: We would agree with you on that but I think again we have to look at the fiscal policies that are coming out of Ottawa. The transfer payments obviously had a negative effect in how they are being introduced by our community. We are fighting the Tories very hard on this. We are not happy with the fiscal policies in Ottawa. When it trickles down from the feds to the provincial government to the municipal governments, municipal governments are the ones that have to turn around and say, "We cannot provide services."

I have got diabetics coming to me saying they have home care services cut off and no one to load up their insulin syringes—people who are blind having to load up their own insulin syringes. I do not think you would be very happy if I, as a blind person, were to load a syringe and give it to you. Yet we are asking people in their homes not to have anyone come in and do this. So the municipalities are being forced because of lack of resources to do this. We are already being hit. I do not know how much worse off this community that I represent could be in the future than we are right now.

Mr Sterling: My concern when we hear representations, as we did yesterday afternoon from economists and people who have a worldly outlook on the whole matter, is the ability of future governments to take care of the people in the best possible way they can. I have to tell you that it appears that the provincial government has set a direction that was practised by past federal governments. It is going to be in a very, very difficult position to be able to deal with problems. That is my biggest concern. If we do not pay our way now, or if we do not pay our way next year or the year after, how on earth are we going to be able to take care of our people? I do not know the answer to that. I mean, you have to pay some time.

Mrs McGregor: I do not know the answer to that either, but I certainly know that in the last eight years disabled people in boom times were not being served by the present economic policies. We are not being served in the recessionary times either obviously. At some point in time we have to bite the bullet. Yes, we know—everyone tells us to take in our belts, you know, tighten up a little thinner. You are asking people to live on less than \$600 dollars a month in most cases. You are asking them to do without food, which is making their health worse. This is in boom times. This is prior to any recession. This is when Ontario was booming, we were asking people to live in poverty like this. In a recessionary time, you want a government to say, "We are going to cut you off even further"? I do not think anybody would expect services to be cut less than they are right now.

The Chair: Thank you for your presentation this morning. This committee will reconvene this afternoon at 1:30 with the Ontario Federation of Agriculture.

The committee recessed at 1209.

AFTERNOON SITTING

The committee resumed at 1338.

The Chair: I see a quorum. I would like to begin this afternoon's hearing so we can be on time. We are starting a little late, but that is not a problem.

The format for the hearings is that you will do your presentation, and whatever time is left over from the half-hour you have been allocated will be divided equally among the parties. The questioning will be done in order. Each party will take up its time for the questions. The questions will begin, after you have finished your presentation, by the Conservative Party this afternoon.

ONTARIO FEDERATION OF AGRICULTURE

The Chair: Welcome to the post-budget hearings. This is the Ontario Federation of Agriculture; Roger George, president. If you would like to introduce your companions at the table, we can begin.

Mr George: My name is Roger George. I am the president of the OFA. On my right is Carl Sulliman, the chief executive officer of the OFA; on my left, Cecil Bradley, the manager of our research division; and in the back benches we have Laurel Campbell, our media communications officer.

We are indeed pleased to be here this afternoon to speak before this committee of the Legislature. As you know, the OFA has several meetings on an annual basis with senior cabinet ministers, and we did meet with Mr Laughren before his budget to give him our advice. We met again with Mr Rae and a number of cabinet ministers shortly before the budget, and we have obviously passed comment on the budget afterwards.

Today we are here to talk to you about some events that have happened since the budget and about some of the impact of the budget and some of the ongoing events that are happening in Ontario agriculture today. I think they are of significant economic importance to Ontario.

I would like to start off by telling the committee that the OFA is made up of 20,000 individual voluntary members. We have about a \$3-million budget. Among our membership we also count some 29 commodity and allied organizations, and we are represented in 47 counties and regions right across Ontario.

For your information, farmers in Ontario farm or have control over 14 million acres of land. That is quite a chunk of real estate when you think about it, so some of the impact of that on rural communities and on the environment is very great indeed. I do not think anyone in this room should sell the farm community short when it comes to realizing the economic importance of this sector to the Ontario economy. So while we are here, of course, to talk about the implications of the 1991 budget, we are also here to tell you people of the importance of our industry and why we need government assistance in some sectors to maintain a strong and vibrant industry, not just for the farmers themselves, but for the Ontario consumer and for the wellbeing of the Ontario economy.

You have before you a brief. I do not intend to through it, just to hit the highlights on the first two or three pages.

As outlined at the bottom of page 1, we are, in Ontario, concerned about the \$9.7-billion deficit. It is large, and I guess we are concerned about the projections for ongoing deficits, having come through the last 10 or 15 years where we have seen the very same pattern start in Ottawa and continue to the point where we now have what is essentially an unmanageable federal deficit. We are concerned about the underlying trend to that with this budget.

Having said that, as I said, we believe that ours is a sector where money put in, money invested in agriculture by the province, does have that economic spinoff. Agriculture in my mind is of just as critical an importance to health and education to this province.

On page 2, we do say we are not sure the provincial commitment is as strong as they would have us believe. The Premier has made statements, as has the Minister of Agriculture, about the commitment of the governing party to this industry. We do not see it in the budget. We have seen the agricultural share of the budget decline by another .1% in actual dollars. When we discount the property tax rebate, some \$150 million which agriculture has never considered should be part of the agricultural budget anyway, our share of the provincial budget is in decline.

We did welcome the \$50 million of interest rebate that was announced shortly before the budget. That was an important safety net for farmers who last year were trapped in spiralling interest costs. That is a short one-year agreement. We are still working with the Ministry of Agriculture toward a longer provincial credit policy for agriculture, because credit is a vital part of our industry. Farmers are large users of borrowed money.

In our mind, the government missed a golden opportunity in the April budget when it came to what we call the net income stabilization account. Here was a great opportunity for the province of Ontario to show its commitment for a relatively small amount of money, some \$10 million or \$12 million. The government could have committed to this NISA program, as it is called, which is one of the major federal-provincial safety nets. They could have committed themselves to the first year, and that would have triggered additional federal matching funds. That would have been of significant importance to cash crop farmers, who are having an extremely tough time surviving this year. I will talk a little more about that in a second.

On tobacco, in the OFA we are not so much worried about the product as the farmers who produce the product. In our mind, any attempt to tax farmers off the land, to take people off the land, is just an abysmal way of going about things. We are very, very concerned with the tactics of both the federal and provincial governments in two consecutive budgets when they have raised tobacco taxes that way they have without offering any type of transition to those producers. We are dealing with people who for many generations have made their living on those families.

ms—because that is what they are. The tobacco farms Norfolk and Haldimand and Brant counties are family ms.

The taxation on gasoline and diesel fuel, while it does not directly affect farmers, does again alter the competitive position of industries like the food sector and makes us much less competitive in Ontario. Indeed, it adds to cross-border shopping, which does directly affect farmers, particularly those in the dairy sector. In some parts of Ontario fully 25% of the dairy products coming into areas like Sault Ste Marie, as an example, are coming cross-border. That is causing some severe economic hardship on any farmers in the dairy sector.

We did welcome the attempt to put money into waste management, into municipalities. That is a very positive step and one which the OFA applauds and is in support of.

One example of fiscal policy which we felt is ill-timed and ill-conceived is the change in minimum wages. Agriculture relies to a great extent in some commodities on seasonal labour, and the minimum wage is going to have a tremendous, dramatic impact on many horticultural producers in particular. The effects of that are still to be felt. Once again, it strikes us as strange that in a time when on the one hand government talks competitiveness, on the other hand we are bringing in policies which reduce our competitiveness. I think one of the critical things we have to be looking at is to make sure that whatever fiscal policy we bring in, whatever new taxes we bring in, we do not add to that lack of competitiveness and start driving more and more small businesses, farmers included, out of business and driving businesses over the border.

I have spoken directly to some sectors that were discussed in the budget. I just want to take a couple of minutes to bring the committee an update on the state of the industry in Ontario today.

I cannot remember any summer where there has been so much strain, stress and uncertainty in the farm community and particularly the cash crop sector, the grains and oilseeds sector, where the cash flow has just not been there. We have been moving, as I said, into this new generation of safety nets where the farm community, along with the federal and provincial governments, has devised a pair of new safety nets called gross revenue insurance program and NISA which will be there for horticulture and for grains and oilseeds producers for 1992. But in our mind, the governments have abandoned the farmers in this critical transition as we move away from the old ad hoc program through to the new programs and there is just no cash flow. That is leading to many stories of farmers who are almost destitute. They are penniless. They have no cash flow as they await these government programs, from which money will not flow for many months and with some of them not for a year.

As an example, just last week I received a telephone call from a farmer in Huron county. The man farms 1,000 acres, grows 1,000 acres of grain, and he told me he had no money to buy groceries for his family this week. That struck me as being really tragic, really ironic, that he is a farmer growing 1,000 acres of grain, feeding countless

hundreds of people, and he does not have enough money to put food on his own table.

That is part of the tragedy that is out there in the rural community. We are caught in this uncertainty with the trade talks. We are caught in international trade wars in some commodities and many farmers are questioning why they are doing what they are doing. Why after three or four generations should they continue to risk the equity that they built up in their operations? Why should they be encouraging their families to continue farming? What sort of inheritance are they leaving to their grandchildren?

This in my mind becomes a critical thing for the members of Parliament down here at the Legislature in Queen's Park to firmly get in their mind. Both urban and rural members have to come to grips once and for all with the fact that farmers cannot keep on doing this for ever and take all these beatings without some aid. Governments have to stand by agriculture in tough times. They have to; otherwise the farmers are just not going to be there when the good times finally roll around. At some point in time, this country, this province is going to lose its food security. We are going to be dependent on food coming in from south of the border or elsewhere. There is always going to be somewhere in the world where they can produce any goods, agricultural or otherwise, cheaper than we can do it here in Ontario.

If we are going to consistently let industries die because of some short-term economic policies, we are treading down a very dangerous and slippery slope. When the people of Ontario stop and think about it, all those millions of people who live in the cities, I do not think they want to see the family farm disappear in Ontario. I would put it to you that it is a real danger at this point in time. There is a real danger of that.

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Politicians, if you want something to do in the summer holidays, get out there to rural Ontario. Those of you from urban ridings, get out into the countryside and team up with some people from county federations. They will take you around and you will see some of this hardship. Sure, there are bread lines and soup kitchens in Toronto, but we have equal hardship out there in rural Ontario, and it is high time the province of Ontario finally made some real commitments to rural development issues. I think for too long we in rural Ontario have sat in the shadows of the urban centre seeing billions and billions of dollars pumped into the Golden Horseshoe, all this money pumped into areas within 50 or 100 miles of the Canada-US border, and we have seen rural areas just left to make it on their own.

Well, we are not going to make it on our own unless we get some change in policy, unless we get some support from government to help us through these periods. Sure, farmers will get out there and we will do it. We will generate that economic activity when we can, but until things turn around a bit we cannot do that. Farmers are great spenders when they have money, and the money put into our industry is money well spent.

Sure, we are concerned about some aspects of the budget but we are also not interested in the least bit in discussing with our Minister of Agriculture and Food or any other

member of the cabinet any talk about cutbacks in this industry. You should no more consider cutting back agricultural support than you would consider cutting back on education or on health.

Those are my opening remarks and I think we will be open for some questions.

Mr Villeneuve: Roger, thank you and your delegation from the Ontario Federation of Agriculture. I think you have painted the picture exactly the way it is, and it may be a little worse. We are actually getting prices for grain right now, not adjusted for anything, that are lower than they were 18 and 20 years ago. I do not know how many people are making their income at what it was 20 years ago, not adjusted for inflation or anything; those are in real dollars. Have you ever seen a situation where at this time of the year there is no market for barley, grain and soybeans?

Mr George: No, I cannot say that I have and I am not sure I want to see it again. I just returned from Manitoba. We were in Winnipeg for the Canadian Federation of Agriculture meeting last week. They have a wonderful crop out there and that same week the minister for the Canadian Wheat Board, Mr Mayer, announced the initial price of wheat in the west at \$95 a tonne, and this is down from last year. It was \$135 a tonne.

In Ontario the initial price is \$75 a tonne. As Mr Villeneuve said, you have to go back 17 or 18 years to find those same prices, and you all know that \$75 was worth a lot more 18 years ago. To give you an example, the expected net realized farm income from the whole of the Canadian grains and oilseeds is expected to be \$250 million in 1991. Twenty years ago it was \$3 billion. When people say Canada was the bread basket of the world, \$3 billion is what our farmers were actually making in net profit growing grain that time ago; now we are down to \$250 million—one twelfth. That is some example of the state this industry is in, one twelfth of the income of many years ago. As Mr Villeneuve said, it is a tough situation, compounded by the international grain situation out there.

Mr Villeneuve: You have had an experience that you have just shared with us of someone who had no money to buy groceries. A rather ironic thing that occurs is that farmers are now attempting—and I realize we have to save farm land, but right now there is no demand for what they are growing. It is a very negative signal that is coming out. Therefore in order just to exist, to keep the banker off their back, they may try to sell a small parcel of land. We have, I think, an example in Ottawa where the Ministry of Agriculture and Food is spending some \$2 million-plus and saving 180 acres of agricultural land that is producing crops that no one wants. I would like your comments on the kind of situation when the Ministry of Agriculture and Food objects vehemently to someone trying to sever a lot just so that he can keep the banker off his back, keep his home and buy some groceries.

Mr George: For many farmers, the way they make the cash flow work is to get a severance or something once a year. I think the fundamental point in this is that if we had a healthy industry, farmers themselves would be the

best defenders of farm land. We would be saying of ourselves: "Hands off our farm land. Let's just save every acre we can."

It is very difficult for a farmer to make that case any more. The Ontario Federation of Agriculture, 10 or 15 years ago, was saying we were doing our best to try to slow the development around Toronto. We gave up on that a long time ago when farmers said, "There is nothing we can do." The Premier himself I think acknowledged that at a convention in November, that it is no good trying to freeze land into agricultural production if there is no crop that you can grow on it.

So the first thing you do is make our industry healthy and then we will protect every acre of farm land with our dying breath. Farmers will be the ones who will be defending it. We will not need a Ministry of Agriculture and Food to be defending it on our behalf.

Mr Villeneuve: As a final question, when farmers have money, what is the ripple effect throughout the economy? I think I have some sort of answer to that, but I would like it coming from you. When farmers have dollars to spend, what is the multiplier effect?

Mr George: We believe it is seven to one.

Mr Jamison: Thank you, Roger. We are pleased to have you here today, and the very interesting presentation you gave to this committee earlier on, but certainly times have passed since then. I would like to thank you for your reference to the tobacco industry, that area which I represent. We share your view.

I would like to touch on something we all talk about and that is really about the family farm and how viable the family farm is, subject to the pressures that are there internationally with the problems with GATT and related federal and provincially. What will it take, in your mind? Obviously, from your presentation, we have done some things, and then you are saying very clearly that we have not done enough. What would it take, in your own mind, at this point in time to help the farm community and the family farm as far as farm-gate prices to the farmer are concerned? What is your opinion on that?

Mr George: To the extent that government can directly affect farm-gate prices there is probably little that can be done, other than the fact that some farmers have chosen to get into supply management systems where they have a degree of control over the prices and the profits they can make. Many of our commodities are priced outside the borders of Canada even and we have little or no control. So if you cannot do anything about the actual cash you receive for your product, then you have to get it by looking at the cost of inputs. Governments very clearly can do things and they have attempted to do some things with interest rebates. Fuel becomes one issue. We mention the cost of fuel, and taxes.

One thing the government can do is to be very conservative of not only agriculture but all sectors when you bring in new legislation. I think of the environment. I am concerned that we are going to go hog-wild on environmental issues. Not that we do not need to be very concerned about

environment, but every time you bring in a new regulation, there becomes a cost of compliance and in some cases that cost of compliance may be more than the farmer can tolerate. So I think we have to be very careful about balancing those two things off between what is right environmentally and what the industry can actually tolerate and work under.

Another example I think I mentioned earlier where government could give a real shot in the arm to the rural community is with some rural development initiatives. This has been talked about in these buildings for the last 10 years, that I can remember, and we have seen precious little come out of this thing yet other than rhetoric.

It always seems to be, in my mind, one of these issues that kind of floats to the surface. You think there is going to be some sort of pilot project announced—and we thought there might have been in this budget—and then it gets slashed at the last minute because nobody exactly has a good grasp on it. This is where you need the vision. This is where politicians need the vision for rural Ontario, to take a chance, to get some of these things going, because that is where you are going to flush out some other money. There is going to be entrepreneurial money out there and this money is not going to come into agriculture, in my mind, until we get some degree of stability. Investors, entrepreneurs, farmers themselves, are not going to open up their savings account until they have some sense of security that the rural economy in agriculture is indeed on the up and up. Then I think you will see some of these initiatives going, but it needs some help from government to get them started.

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Mr Sutherland: I am glad you are here today and thank you for your presentation. I guess the message you want to leave with us—and it is a message that came home to me last Friday when I was in my constituency office. My brother, who is a cash crop farmer, actually called me. He had got one of the initial cheques back on that and it was substantially lower than it had been last year. So I am well aware of the impact hitting home in that degree.

Basically the message you are leaving with us is that we do not do enough, that there is still a lot more that has to be done. I was wondering if you could just give us a little more precise terms on what you think needs to be done, particularly in the short haul. How bad do you think the situation is going to be in the fall? I notice today in one of the papers it says that grain futures are up because there is a possible drought in the United States Midwest. What do you think it will take to carry us over into the GRIP and NISA programs?

Mr George: We have some requests in to the provincial government for some adjustments in the existing stabilization plan, just to get some of the money that has been promised flowing. Some of these things are just administrative bottlenecks. There is nothing more annoying for farmers now. We have been promised some of this money three times so far this year. Mr Wilson announced it in his budget of February; there was another announcement on April 18; the ministers announced it again; they were

going to flow it when they met on July 1 in Alberta and there is still not one penny coming. So there is money being committed. If we even get that flowing, that would be very helpful in the short term.

Mr Kwinter: You referred to NISA. Under the net income stabilization account, the government decided it would not participate this year but it would participate next year. What impact has that had on agriculture?

Mr George: It cost Ontario cash crop producers approximately \$20 million. It would have cost the provincial government maybe \$12 million to get in there the first year and it could have triggered another \$6 million in additional federal money. As it is now, the federal government is going to be putting approximately \$35 million, \$40 million, in this program. We could have been that much bigger had this province committed.

I think the other issue there is that the federal government actually gave all provincial governments a break on contributions on the GRIP program, 10% of their contributions, which in Ontario's case was \$3.5 million to \$4 million. So the provincial government has a windfall of \$3.5 million from the federal government in this fiscal year. As far as we can make out, that money is going to go back to Treasury; it is not going to go to the farm community.

Mr Kwinter: So what you are really saying is that GRIP and NISA are replacing the farm stabilization program and they are paying those premiums now. Next year, they will not be paying those double premiums, but you will not be benefiting from the fact that the money is there.

Mr George: The farmers signed up for GRIP in the spring of this year. The final premiums are due on November 1, but the final payments on these programs, or at least on GRIP, cannot be made until the end of the crop year. That is a year away, so there is a great lag time.

I should point out to members of the committee that these programs are jointly funded by farmers and both levels of government. It is not just governments funding these; the farmers are in for 33%. That is the way it should be and this is the idea, to get away from ad hocery and have some sort of predictable prices, the point being that as we make this transition from the old world to the new, we have this period of 10 or 12 months where farmers are just left to the mercy of the markets, and the cash flow is not there.

Mr Kwinter: What about the farm interest assistance program? That is like a one-year project. What do you see in the future? How is that working?

Mr George: We do not know to what extent all the \$50 million will be utilized. We were very concerned about some of the criteria there on the off-farm income. Whether all that \$50 million will be utilized, I do not know. All I would say is, if it is not utilized on the first go-round, I would hope they would open up the applications again to make sure it is utilized. There is nothing worse than the government getting all the credit for a \$50-million program and then finding we have only utilized \$35 million and the rest goes back to the Treasurer.

We are working with the government and the Ministry of Agriculture to develop a more long-term and stable and

predictable farm credit policy for Ontario, and that is the right way to go. We as farmers much prefer these types of new programs, as opposed to the old unpredictable ones where it relies on the timing of elections more than anything else in order to secure the funds. We want to get some predictability into this industry. We have so many things already that are unpredictable in agriculture. To the extent we can put some predictability in there, the better.

Mr Phillips: I wanted to ask a quick question on the tobacco issue. I note that the revenue from the tobacco tax has gone up almost 50%. It is over \$1.5 billion, I think. Almost twice the Ministry of Agriculture's total budget, I think, is raised from taxes. My question really is, what sort of increase and support have the tobacco farmers gotten in the last year or so to help them through this period, and what is your recommendation? I know you have some general comments in here, but—

Mr George: As far as I know, they have not had any support at all on any transition programs. I believe they have some proposals in to both levels of government for support, and OFA will be supporting the tobacco board and the farmers on that issue. When we look at this we do not talk about the health implications of tobacco. We talk about the farmers and the farm families.

Mr Phillips: So there has been no increase in the last—

Mr George: To my knowledge, no, and they have collected goodness knows how many extra hundreds of millions of dollars out of the thing.

Mr Phillips: I think the revenue has gone from \$770 million in 1989-90 to \$1.5 billion and I think we all understand the reasons behind that, but I was just interested in what help has been available to the tobacco farmers.

Mr George: We are a forgotten industry, a forgotten people.

The Chair: Thank you for your presentation this afternoon.

Mr George: Thank you, Mr Chairman.

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FAIR RENTAL POLICY ORGANIZATION OF ONTARIO

The Chair: Our next presentation is from the Fair Rental Policy Organization of Ontario—Philip Dewan, president.

We have half an hour. The same rules apply from the previous presentation. Could you begin, please?

Mr Dewan: First of all, I would like to thank the committee for the opportunity to be here today. I think the fact that this committee is even sitting to hear comments on the budget is a very important step because it is a document that has stirred up a great deal of controversy around the province and it behooves everyone to have an opportunity for the various groups to come in and express their views.

I am here today, as some of you know, on behalf of the thousand landlords and property managers who are members of the Fair Rental Policy Organization and, I guess more indirectly, on behalf of the 150,000 or so landlords around the province, since FRPO is the largest group representing this sector.

I certainly have to say at the outset that, although we are delighted to have the opportunity to appear before the committee, there is a great deal of scepticism among members about what may come out of this, given the experience we have just undergone with the public hearing on Bill 4 and the various deliberations on both rent control bills that have been undertaken and are still ongoing. Our members are not very convinced that the government actually has any intention of listening to what these various groups have to say. I hope that is not the case with this committee, and I hope we will be very surprised by the results.

I do not intend to read the submission here. I will skip through some of the points I think are most important and want to start out by indicating why I hope the committee will take what we have to say seriously. Our organization represents an industry which is perhaps underrated in many people's minds in terms of its importance in the province. There are, in fact, more jobs created in the supply and management of rental accommodation in the province than there are in the entire auto industry. It is a very very substantial industry in the province. It is a very diverse industry. We provide accommodation for 3 million tenants and provide an essential product which certain government could not afford to replace on its own.

We also—and this speaks directly to the concerns of this committee—make a very large contribution to the coffers of various levels of government. People are often surprised to find that the average apartment in the province contributes about 25% of the total rental stream directly through property taxes alone, not even counting all of the various other tax flow-throughs from sales tax and income tax and so on. That is about \$2 billion a year that the municipalities would otherwise be turning to Queen's Park for. It is a very substantial amount of money, and it is in everyone's interest to make sure we still have the ability to continue.

The other reason I think it is important to hear from our members is that they are a very diverse group. Rental property tends to be one of the first forms of investment for a lot of new Canadians coming to the country because they understand real estate. It is often the form of investment of choice for people who do not have pensions and are looking for some retirement security, and so it is important to some of the smallest businesses in the province as well as some of the largest, what happens to the state of this industry and what government does to the industry.

Given the diversity in the industry, there are a lot of different areas in the budget that some of our members are concerned about, but given the time we have and so on, we would like to focus just briefly on three particular concerns, some of them direct and some more indirect: the overall spending levels and the deficit forecast; the particularly large increases in spending in the Ministry of Housing in this budget and over the past years and its relationship to the various government policies out there; and, more generally, the climate for business that has been fostered and encouraged—or not encouraged—by this budget and by other actions and pronouncements of the government.

Let me start with the fiscal policy and the deficit. I guess landlords generally were as surprised and shocked as many people by the size of the deficit numbers in the April budget. I think everyone was expecting there would be a substantial increase, where there undoubtedly were recessionary costs that were going to be greater than forecast and revenues would be less, but the extent of it, the tripling the budget in one shot, was I think a shock to all of us, and sent a very disturbing signal to the business community generally and to our sector in particular.

Quite aside from the understandable increase in the Ministry of Community and Social Services budget related to welfare assistance, if we look at the size of some of the other increases in comparison to the 5.4% limit that landlords are being asked to live within we get some very different numbers: anywhere from 10.6%, 10.9% for health and education, on very huge bases, obviously; up to 39%, or more than 39%, to the Ministry of Housing; 122% for the Ministry of Labour; 283% for native affairs; and 488% for Management Board, when you include the contingencies that were lumped in. Obviously the government is preaching a very different message to the private sector in terms of what they have to live within than it is practising itself, and that, in itself, is not a good signal.

Certainly a lot of these increases, we recognize, arose from decisions made before this government came into office. There are many spending programs that were coming on stream or were expanded to some extent by previous administrations or built on by this one, but that does not really make any difference to the view that people are going to take of what was in the budget. Faced with the recessionary times we are in, it was up to Mr Laughren and his colleagues to make the tough decisions and decide where the new economic reality dictated there would be some cutbacks, that there would be some reductions in the rate of growth, and there does not appear that there was any attempt to do this. That is one of the most disturbing aspects of the budget.

So we are looking at a situation where not only do we have a budget of almost \$10 billion for the current forecast year, but four years from now we are still looking at getting that down to only \$7.8 billion, and as you have heard many times, I know, the very fact that in four years you are going to be accumulating a greater total debt than in the entire previous history of the province is something that is absolutely disturbing to everyone. I say everyone—everyone whom we have talked to whom we represent.

The severity of the problem, I think, is particularly reflected when you look at the figures in the operating account. All business people can understand that there are times when you have to borrow for capital works, and just as we amortize costs over a longer period it may make sense for government, with certain types of capital expenditures, to look at those costs and borrowing to pay those costs in a different way.

When you are taking ongoing daily expenses and borrowing year after year to fund them, it is something that business people generally find quite unacceptable. It is as if you are using your Visa to buy groceries every day, and that is not the way that anyone is going to get into a stable

financial situation. Particularly after we have been through four years of operating surpluses and essentially a decade of the operating accounts being reasonably in balance, these sudden four years of massive deficits on the operating account with no remedy in sight are a very dangerous signal.

I guess there are a lot of questions that have to be raised about whether even these forecast targets, as scary as they are, can really be met, given the numbers that are in there. The budget refers to expenditure growth estimates of 6.3% next year and 7.5% in the subsequent two years, compared to 13.4% in the current fiscal year. There is no real explanation given as to how the government intends to achieve that reduction and there is no attempt to reconcile the vast range of obviously expensive promises that were made by the government when in opposition with this cutback in spending rates, which leaves a lot of people, ourselves included, with a real concern that if there is not going to be an attempt to really grapple with expenditure restraint and the deficit is going to continue to grow even beyond those, unfortunately, probably optimistic numbers in the budget, the only attempt to rescue us from this fiscal climate is going to be by tax increases.

There is a very disturbing line in the budget that notes that revenue moves may be required in the future to achieve these target growth rates. When you read into that and look at the budget as a whole, that is a pretty sure indication that there absolutely will have to be revenue moves, and given the state of competitiveness in the province, in our relative tax and regulatory situation vis-à-vis some of our competitors now, that is certainly something that is not going to help the province but it is going to cause a great deal of harm.

I want to spend a little bit of time just talking about the housing expenditures directly, because that is obviously of particular concern to us and our members. There is probably no clearer indication of the problems of housing policy in the province, both under this administration and previous governments, than the sort of numbers that are in the Ontario budget this year.

You are looking at a 39% increase compared to last year and a 369% increase in spending for the Ministry of Housing over the last six years. They are extraordinarily large numbers. Even with these huge increases in spending, there has been essentially no dent in the waiting list for affordable housing, which is the problem that the various governments are ostensibly trying to address.

The 10,000 additional units of non-profit co-op housing that were committed to in the budget are certainly not going to do a great deal to meet this need. Even if you get these on stream in the next two or three years, which seems to be the time we are looking at, given the experience with the non-profit producers, only about half of those units generally go to the most needy tenants due to the necessity of income mixing in the projects. At that rate, you are looking at something in the order of up to 100 years to meet the total need for housing in the province, and that is assuming that you could somehow hit the taxpayers for the \$6 billion that it would cost to subsidize that housing. It is something that simply cannot work in the

end, and I think people are slowly coming to the realization that there has to be a more cost-effective, more reasonable way of addressing this need.

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We have always said there is an alternative. The fair rental policy organization has long advocated a balanced partnership between the private sector and government to try and ensure both new housing supply and assist those who cannot afford rental accommodation on their own. That has to begin by a recognition that for the majority of low-income tenants the problem is not that there is no available, affordable rental housing, it is that their incomes are too low to afford even the most reasonable housing.

If you look at what we have stated over the years and elaborated on many times, we have talked about a gradual elimination of rent controls to stimulate new rental supply and allow for the conservation of the existing stock, which is particularly important given its age. We have called for a replacement of the current rent review system with a much simpler, non-bureaucratic protection against unconscionable rent increases. We are not saying everyone should be able to raise it 100% a year or anything like that, but there has to be a very simple system that allows for the market to function within normal bounds.

Most important, I think, there has to be the implementation of a universal shelter allowance program to provide direct financial assistance to the tenants who have affordability problems. I am not going to go into all the details of this today because it would take a lot longer than we have here, but I would be glad to sit down with any committee members who would like to explore this in more detail. We will be providing some additional documentation on this to the ministry in response to its Housing Framework green paper.

We estimate, based on looking at programs in other jurisdictions and the work we have done with outside economists, that a shelter allowance program could be instituted at a cost of well under \$500 million per year, which is less than the existing budget in the Ministry of Housing and which would essentially address the income needs of those people encountering difficulties in paying a reasonable portion of their income on rent today.

I will briefly run through an example of why this differential is so great and why this sort of alternative is feasible. If you take a family of working poor who are making, say, \$12,000 a year and paying \$400 a month on rent, they are paying 40% of their income on rent compared to the guideline of 30% normally acceptable. The problem is not that they cannot find a roof to put over their heads; they are already living under one but simply paying too much for it, more than they can afford. The problem is not that the rent is too much in real terms—I do not think anyone in this room would argue that \$400 for an apartment in this province is an unreasonable rent today—but simply that their income is too low.

The approach of the government—and I do not mean just this government; the Ontario governments of the past number of years—has been to put such a family on a waiting list, keep them there for several years while they

somehow work their way up to the top and then wait until they can build a unit from scratch to house that family.

Since this unit is coming on stream at a time of much higher land and operating regulatory costs, its total economic rent is far greater than the existing units on the market. We are looking at something in the order of \$1,400 per month for the carrying costs for most of these units. If the tenant can afford \$300 a month, that requires a subsidy from the taxpayer of \$1,400 per month, about \$17,000 a year.

In addition, because of the income mixing, you also have to add in the fact that there will be a market unit that will be rented out to someone who could easily afford to pay rent in the private sector. That will also have to go along with that, at least a portion of it, to preserve the income mix in the project. So in total you are looking at about \$20,000 per year of costs to the taxpayer in subsidies to subsidize one core needy family housed in a new social housing unit.

On the other hand, if you took the shelter allowance program, you already have this family living in accommodation with which they would often be quite happy, and they could easily find alternatives for in the private sector at a cost in this case of \$100, maybe \$200, if you let the market be something closer to market.

So you are looking at a pretty stark contrast between the two alternatives; almost \$1,700 per month, for the taxpayer on the one hand plus years of waiting for the tenant to get into this home, or about \$200 in immediate assistance when you go the private sector route.

I think the numbers speak for themselves, and the fact that governments have gone with the former approach is a striking example of exactly how you get into problems with accumulating massive deficits without really improving the lot of the citizens they are attempting to help.

Finally, I want to talk briefly about the general climate for business, because this budget and the rental housing policies we are involved in, and a whole range of other things, are seen as a whole by business when it is looking at trying to understand where the government is coming from and what sort of attitude it is taking towards the private sector.

You cannot separate out all these programs individually because every one of them certainly has merits on its own, as any alternative does, but you have to look at the cumulative impact. In this case, when you take both the range of programs that have been announced or are being planned—rent controls, changes to labour legislation, auto insurance, what have you—and the attitudes displayed by some of the government ministers in their statements, it does not send a very encouraging signal to anyone in business.

I will give you three quick examples from our particular area of concern that illustrate what I mean.

When Bill 4 was introduced last November, the so-called interim rent control legislation, our industry was understandably concerned and outraged about this retroactive change. It came on the heels of a lot of statements by the Premier and the Treasurer about consultation and public participation and wanting to work in partnership with the private sector. So we figured maybe we could take the

it was stated and go in and try to have a dialogue with these ministers about what exactly this legislation meant and whether they understood the real impacts.

After numerous phone calls and letters, most of which were either ignored or quickly dismissed by staff, we finally received a letter from the Premier, many months later, saying, "No, we are not going to talk to you," despite the fact that we represent 150,000 individual business people out there who are very concerned about this proposal.

The story was much the same for the Treasurer, although I have to say his staff were a little more polite about it.

In the second case, we had a public rally in front of this building back in December where literally hundreds of concerned workers as well as landlords were voicing their anger at the arbitrary changes brought in by Bill 4, the rent freeze, that essentially had thrown these workers on to the unemployment rolls. There was no possible way any rational person could deny the link to Bill 4. These workers, the concrete workers, labourers, window manufacturers, plumbers and so on were saying they had full order books many months in advance on November 27 and two days later, after the minister made his announcement, it all went down the drain because the landlords would no longer be able to finance the work and the orders had to be cancelled.

Yet in front of this very audience, the Minister of Housing, Mr Cooke, made the statement that no jobs were being lost as a result of this legislation, that this was simply related to the recession. We had always understood, to some extent, that the government does not really believe what landlords have to say, but it was quite amazing to hear him tell the workers to their faces that this was in fact not the case.

The third example is something some people think has been blown out of proportion but when you think about it, it really has not. That is a comment Mr Cooke made at a press conference, albeit jokingly, where he referred to the fact that he was allergic to landlords. When this comment was reported and members of our community were understandably upset, he not only did not clarify anything or make any amends for it, he simply outright refused to apologize. He dismissed it as a joke.

It may well have been a joke, but I think it certainly underlines the attitude lying not very deeply beneath the surface towards this particular part of the business community. If you look at it from the point of view of who the government is here to represent, it should be disturbing to everyone. Clearly, if the Minister of Housing had made a comment saying he was allergic to tenants, a lot of people in this room would have reacted quite differently.

Some of you may think the latter part of this does not relate too directly to some of the concerns with the budget we are here to talk about today, but I would like to suggest that it does, because the budget is the single most concrete manifestation of the administration's approach to governing. When you combine what is in that budget, the abandonment of fiscal responsibility and the further handicapping of the private sector to provide the growth and prosperity needed to allow us to meet our social needs, with the sort of statements I have just talked about, you get

a pretty clear indication of where the government's overall philosophical orientation to business is.

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In short, it proves, at least to us, that a lot of those antibusiness statements and actions by various ministries, which we thought at first might just be the unfortunate results of some individuals new to their positions and new to such a prominent role in public life, are in fact founded on a common approach fundamentally antithetical to the business sector.

Given that reality, a lot of people might question whether there is much point in coming before a group like this or making any recommendations, but as I say, we are very optimistic and I hope that to a small extent our statements, and to a greater extent the collective views you will hear from the various groups appearing before the committee, might have some impact.

I have appended a few recommendations at the end here which essentially relate to the items we have just talked about. Again, I thank you for the opportunity to come here and I would be glad to try to answer any questions the committee members might have.

The Chair: We have approximately two and a half minutes per party which would probably be about one question with an answer, beginning with the New Democratic Party.

Mr Christopherson: Thank you for your submission. I appreciate it is very articulate. Obviously, you took a lot of time and it is appreciated.

It was interesting to note on the second page that you started your approach by talking about tenants as individuals and then talked about the tens and hundreds of thousands of jobs that are also in your industry. There seemed to be a desire on your part to focus at the outset on individuals, on people, as opposed to just a statistical document that analyses the budget and the economy, and I welcome that.

I would like to pose a question to you with as short a preamble as I can make it, although I am known for longer ones than I should. Look at the number of bankruptcies we have had, both business and private, in the province during the course of this recession the last couple of years, the number of plant closures—just folded up; jobs that have left as a result of, arguably, free trade, rationalization, globalization of the economy—the resulting job losses, literally hundreds of thousands of them, many of which we will not get back when the recession is over.

In light of that and in light of the fact of the course the federal government chose, to fight the deficit and fight inflation, which has led an awful lot of economists, some of whom were here yesterday, to say it is a made-in-Canada recession—policies that arguably have nosedived particularly this province with the entire nation into recession. In conducting this fight against inflation and deficits they have cut back on transfer payments, to provinces which has had an impact on municipalities, which has affected you through property taxes. I spent five years on local council so I know what that impact, that domino cutback has been: There are now fewer people who can go on UI at

a time when more and more of them are needing it. Also, in light of the fact that most people—I have not heard a great deal of argument—say a stand-pat budget is \$8 billion, just to leave the programs in place in light of lost revenue and increased costs as a result of greater welfare costs, etc, and with the arguments coming forward by the chief economist of the Conference Board of Canada that this is indeed the right way to go, that there is good rationale for what we have done, in light of all of that—

Mr Jackson: I knew there was a question in there somewhere.

Mr Christopherson: —what specifically would you have done differently if it were your call and how would those choices have helped those very individual people you begin talking about in your report? How would that help them cope with the worst recession since the 1930s?

Mr Dewan: First of all, you have to go back to the fact that you are not looking at the budget in isolation. I tried to stress in here that the budget has to be taken in consideration with the whole package of actions by the government over the last eight months.

If your concern is about job loss, about those hundreds of thousands of jobs that have been lost and the factories that have closed and so on, as you mentioned, I find it amazing that this would be a government supporting a policy like Bill 4, which in fact threw thousands of workers out on the street, which shut down manufacturing plants for windows and carpets and all sorts of various suppliers to the rental housing sector. They are completely contradictory statements, from our point of view. That is not necessarily something that comes out of the pure numbers in the budget, but it is very much a part of the policy of the government that is behind all this.

Certainly I am not in a position to go through each spending line of the budget today and tell you where you should or should not have cut. Those are some of the hard decisions that come with being a government. But there is an underlying responsibility, now that you are in office, to make sure that there is some attempt to come in with a total that is fiscally responsible in the end. I do not deny that the budget would have increased a great deal, as I mentioned earlier in the submission, just as a result of the recessionary climate, but I think it was the extent to which you went, and the fact that there did not appear to be any attempt to control the spending in a lot of these areas, which has upset our members.

Mr Kwinter: I would like to ask, given the fact that I only have one question, what do you see happening in your industry if these policies continue? How do you see the future for the accommodation industry?

Mr Dewan: The future is pretty gloomy right now in the sense that we have people who have incurred very substantial losses on work they had already done. They went out, as you know, prior to Bill 4 and made capital expenditures on their buildings which were then frozen and for which under the new legislation that has been brought in they are going to recover 20%, 30%, 40%, depending on the particular circumstances. So their ability to actually maintain those buildings and put in the capital

expenditures that are required to preserve them and to keep them to the standard tenants deserve is going to be very much restricted.

There is a whole other range of things in Bill 1 which I could talk about that are not directly the concern of the committee here today, but again, it goes back to the jobs issue. If you really are concerned about people in the manufacturing sector, people in the construction trades, concrete workers who were out standing on the steps of Queen's Park, then the approach that is being taken is certainly not particularly helpful, to put it mildly.

Mr Jackson: I could not agree with your report, though I always have to remind you that you are very threatening to one group of my constituents. Those are the people who maintain two and three residences. People who live in Florida seven months of the year are most supportive of the NDP policies and most angry that I do not support them, because they want to keep their part-time Canadian residence rent as cheap as possible.

You are familiar with the several reports which support your thesis. First of all, George Thomson, who is now provincial civil servant in the Ministry of Labour, I believe, wrote a report in which he indicated that rent controls in and of themselves will not work and cannot work and that a form of shelter subsidy has to be looked at because, in spite of all the regulation, there are not the kinds of checks on the prices that people think there are in housing. It is still rising.

The Stuart Thom commission also, after spending a million or \$5 million of taxpayers' money on a two-and-a-half-year study, came to the same conclusion, that rent controls were hurting the poor and benefiting middle and upper-middle income people in this province.

Why is it, do you think, the NDP government refuses when even supporters of its own philosophy come to the conclusion that a pure rent control system that it is moving towards will not work, that a modified regulatory system that allows for private investment and a shelter subsidy program is the only way to increase access and affordability for the poor? That is who we are talking about here, people with disabilities, people who have limited life chances at increasing their income, and in our society, to ensure we can make sure they are accommodated with dignity and affordability—we are not doing that.

Mr Dewan: I wish I knew the answer, because certainly from our point of view, we think the sort of shelter allowance approach you referred to is not only a lot more cost-efficient, which is why it is relevant here today, but also a lot more humane in that it will directly address the needs of all of those people out there who are facing affordability problems now, whether it is because they are working poor or handicapped or whatever.

Mr Jackson: But it is not fair to my rich tenants who are in Florida.

The Chair: There is no chance for—

Mr Jackson: It was a clarification, not a rebuttal.

The Chair: That is fine, Mr Jackson, you have done very well.

Mr Jackson: You pick up more of these subtleties the longer you are Chairman.

The Chair: Yes, and the subtlety of expanding on a short amount of time and dragging it out.

Thank you for your presentation this afternoon.

Mr Dewan: Thank you.

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INCOME MAINTENANCE FOR THE HANDICAPPED CO-ORDINATING GROUP

The Chair: Our next presentation is from the Income Maintenance for the Handicapped Co-ordinating Group, John Southern and Harry Beatty.

Mr Southern: Good afternoon. Thank you for the opportunity to appear before you today. Just a little bit about the income maintenance co-ordinating group. We are a group of organizations of and for persons with disabilities, those being service providers and also advocacy organizations for the disabled. To my left is Harry Beatty, who is a lawyer with ARCH, the Advocacy Resource Centre for the handicapped. Harry acts as a legal counsel to the group and ARCH has taken a prominent part in helping us keep together. My name is John Southern. I am with Persons United for Self-Help in Ontario, and PUSH is a cross-disability organization. We are a provincial organization and I guess we have close to 1,000 members.

I thought we would start by just reviewing our presentation to the financial committee in January. Harry is going to go ahead and do that and look at what we said and where we are at today.

Mr Beatty: When we appeared before this committee in January, as you might expect, we advocated strongly that a process of social assistance reform that began with the Transitions report—John, of course, was a member of the committee, also chaired by George Thomson, coincidentally, which set out a very extensive agenda for social assistance reform. What we did first of all was to argue strongly that continued social assistance reform basically made economic sense.

First of all, one of the major goals of the reform of the system is to enable more disabled people to be employed. As advocates, either professional advocates or peer advocates, every day we see people with disabilities who have a lot of skills, may have good qualifications to work, but there is some impediment to their being employed. Perhaps by attempting a job they will jeopardize some of their benefits or the combinations they require or the supports they require are not available when the job becomes available or they may have not had a fair opportunity for education or training.

We proposed as a goal that competitive employment be aimed at for—we picked an arbitrary number of 3,500 family benefits Gains-D recipients annually. That would be about half the increase in the annual case load. There are a little over 100,000 disabled people now on provincial family benefits. It is increasing by about 7% a year—a steady increase, but not the dramatic increase that has occurred with some other groups.

Clearly the government has taken a good step this year in establishing, or beginning to establish, an employment equity commission, but more needs to be done.

Often we argue that people do not really understand the cost-effectiveness of providing effective rehabilitation and job accommodations to people with disabilities. What people receive on family benefits is quite modest. In December of 1990, the average cheque amount from family benefits to a disabled person was approximately \$670. With the increases in 1991, it would be something over \$700 now. Even so, if you include with that the cost of the extra benefits, such as the drug and dental card, you would have an average annual expenditure perhaps of around \$10,000 for someone on family benefits.

From that perspective, a \$20,000 expenditure for training, equipment and job orientation can be very cost-effective. Certainly both John and I know of examples where a person has been given the appropriate opportunity for training, education and rehabilitation and it has made all the difference, where the person has gone on to be competitively employed, renting in the private market rather than in public housing and so on for many years and perhaps the rest of his working life.

There are American studies, and I do not know if they have been duplicated here. If you look at all the implications for money spent on rehabilitation, and training of a disabled person, if it is spent effectively, savings are on the order of \$10 for every \$1 spent for the system over the person's lifetime.

The second perspective from which we argued that continued social assistance reforms are affordable had to do with some data we presented relating to the people on family benefits Gains-D in Ontario. Essentially we presented information produced by staff at the Ministry of Community and Social Services which showed, for example, that of the approximately 100,000 disabled people on family benefits, over 12,500 are Canada pension disability pensioners. For those of us who are in the area, that is a very significant connection and it is worth reflecting on.

First of all, these are people who have been in the workforce for some substantial period of time, enough to qualify for Canada pension disability, and they also have to be fairly significantly disabled. Yet their Canada pension and whatever other contributory plans they have had at work have not been sufficient to keep them off social assistance.

I think it emphasizes the importance of talking to the federal government, of Ontario making representations around the inadequacy and some of the problems with programs like Canada pension disability.

Second, Canada pension disability is known to be one of the plans that is most restrictive towards people who attempt a return to work. If you attempt rehabilitation or training or a return to work, you may lose your benefits altogether. There is in our minds a clear link between the fact that Canada pension is restrictive in that area and the fact that so many people wind up on social assistance. They do not attempt to return to work because they are afraid of losing the small amount of entitlement they do have.

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So against that background we set out our priorities for social assistance reform by the provincial government in 1991. Perhaps at the top of the list was to make special needs that are necessities mandatory, as opposed to discretionary, benefits and to transfer responsibility for delivery and funding of the special needs system to the province from the municipalities. While some municipalities such as Toronto and Ottawa have fairly developed special needs programs, other smaller municipalities which do not have the same tax base may have very inadequate programs or, in some cases, no program at all. A disabled person who goes to the local municipality for supplementary aid for a special transportation need or to pay the 25% of assistive devices that the Ministry of Health does not cover is simply told: "We do not have that program. Our municipality cannot afford to pay its 20% share and basically you are out of luck, regardless of what your need is."

Other priorities were a further increase in rates, to raise the asset ceilings and asset rules. Those of you familiar with family benefits will know that the limit is still basically \$3,000 for a single disabled person and slightly higher for families, the same level as in 1980. We asked that the so-called non-profit boarding rates for disabled people living with their families be raised to the level of the other boarding rates. We asked for increased funding to the vocational rehabilitation services program, for a deduction of disability-related expenses under the Ministry of Community and Social Services' support to employment program and for increased funding for the special services at home program that provides in-home support for children with disabilities.

Now I will turn it back to John. Clearly in the budget there was an allocation of \$215 million for social assistance reform and, shortly thereafter, an announcement by the Honourable Zanana Akande as to which of these items would be implemented and which would not be.

Mr Southern: Obviously I was pleased that in this time of recession the government did not do what many people in the media would like, to slash welfare programs, which really bothered me. I think there is so much misinformation in the media, especially as I belong to a group that is one of the most oppressed groups in Canada. Not having the opportunity to write that information is so frustrating and it makes you so angry it is unbelievable. Anyway, I am glad the government did not slash social assistance, but on the other hand, in my opinion, it did not go far enough. After all, it was the NDP government that took the initiative and pushed the Liberal government into reviewing social assistance. They agreed and the Liberal government agreed that the program needed changing. It was inadequate and it was not meeting the needs of the people on it, and it still is not. In fact, since that review started, the disabled people on family benefits have risen by 30,000. You wonder what we did the review for. I was really concerned that it did not even go as far as the minimal changes that were suggested in the Back on Track report, the Allan Moscovitch report that was released earlier this year.

People ask me what it is like to be disabled, and about disability in general, but I think society has to stop penalizing disabled people for being disabled. For many people who are disabled, it is not their fault that they end up there. We just remain the lowest of the low. People are starting to acknowledge that we exist and pay us some kind of lipservice, but I have not seen too much improvement in the lives of disabled people in the 15 years I have been involved in the disability movement, and I want to see more.

As I say, it is a time of restraint. I realize that fact and know we have a deficit. But on the other hand, you cannot keep people living in these abject conditions. I know so many disabled people who are living in utter misery, and there is no need for it in this day and age.

Also, I think this government must adopt a strong employment equity program—I cannot stress it enough—particularly for disabled people. Most disabled people of working age do not work, and they should, and a lot are capable, given the opportunity and training in this highly stressed area. We want to fulfil and take our rightful place in society and quite frankly I am getting a bit fed up with not being allowed to do that.

I am fortunate. At the moment I am working for an organization I represent. But on the other hand we struggle from week to week and from paycheque to paycheque—we could be unemployed next month, for all I know. Nevertheless, there should be better opportunities, and disabled people should be able to live better lives in this province.

As I say, there has been so much talk and people saying how wonderful it is to live on welfare. Believe me, I was there for a year, last year, and it was not one of the wonderful. I did not enjoy the experience one little bit, and anybody who thinks it is great to be on welfare is just crazy. There might be a few leeches at the bottom, but I do not think there are too many of them, either. Business people who criticize the government for spending on social programs—I mean, they made a lot of money out of this province when times were good. Sometimes times are not so good and yet they want to abandon the ship, it seems to me. Anyway, thank you.

The Chair: We have approximately four minutes per party, beginning with the New Democratic Party.

Mr Jamison: I would just like to go over with you the impact of the recession on your particular group of people, if you could really describe what impact there has been and what needs to be done. Obviously you are saying you like the assistance in the \$215-million form, but you are saying that more needs to be done, especially in this time. What impacts are there at this point?

Mr Southern: I think disabled people live in a permanent recession. I do not know if it is any worse, except maybe their friends are feeling the pinch or something and family and friends are not able to help them as much as they would when times were good. But for disabled people, we live in a permanent recession; times are always bad, and things have not been made any easier by the introduction of GST and whatever. I really think there has been no significant increase over the years in the actual

benefits that disabled people receive on family benefits. There have been little leaps and jumps over the years but nothing significant, and people are just living in poverty.

Mr Sutherland: You talked about the impact and one of the real problems, and earlier this morning the Alliance for Employment Equity discussed some of the problems. Carol McGregor was here and outlined some of the concerns. You just got through telling Mr Jamison that you did not think things were that much better. Is this budget, \$215 million committed there, going to have some impact? Will it be of some benefit to your community?

Mr Southern: Of course. I think it will be of some benefit. It certainly does not go far enough. The improvements to the employment incentive program, STEP, where people will be allowed to retain a little more money and the levels of how you can get into the program have been changed a little bit, will help, and some of the other changes will definitely assist disabled people, there is no doubt about it, but not enough, I do not think.

Mr Sutherland: If we had brought in a balanced budget, which the leader of the third party has indicated we could have done, what type of impact do you think that would have had on the community agencies that serve people of your community?

Mr Southern: It is very political, but I will answer it anyway. I think it would have been devastating to us. There is no doubt about it. I do not know how the government would have brought in a balanced budget and done anything meaningful if it was in such a big recession. With the cutbacks from the federal government, you would have had to slash some social programs, and as I told you, we do not have enough now.

Mrs Sullivan: I was quite taken with your report to us today, having recalled the dramatic presentation you made to this committee in advance of the budget. You have indicated your disappointment that the social assistance reforms had not proceeded more quickly through this particular budget. I also was quite interested in hearing what you had to say, by example, about reform of long-term care, which clearly affects people who belong to and are served by your organization and where in fact what we have seen is the shelving of that program.

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Mr Southern: Well, obviously I would like to see more action. I do not know whether you would say it is totally shelved. I think there is starting to be some movement in the area of long-term care, but obviously it needs to happen and as I tell you, we want to take part in society. There have been some advances over the years in people getting long-term care. People are starting to get it a little easier in some housing projects and whatever, but nevertheless there are still too many people housed in long-term care facilities who should not be there and want to be out of them and we should do everything to do that. As I say, there is no point in bringing people out of institutions if you are going to just institutionalize them in the community. We need a lot of assistance to participate fully in society.

Mr Phillips: Hi, John, Gerry Phillips. John used to be a constituent of mine.

The Agenda for People called for social assistance rates set at levels where no family any longer has to choose between paying the rent or eating. Just in terms of the impact to date of the changes in the social assistance, can you give us a hint of where that stands now and what your expectations are for the next year?

Mr Southern: I do not know what government is going to do in the next year, because there has been so much poor publicity around social assistance, and some of the major media stations in the market—I will not mention them—are just putting social assistance programs down. Maybe the government will want to regain some popularity or something and not do too much in this area but I hope things will happen. But as things stand now, I think there has been some improvement.

The STEP program, although it has not assisted too many disabled people, has helped some get into the workplace. I know it did me. I am off the program altogether right now, I am thankful to say, but it did help me and was useful to me to get back into the workplace. It has helped other people that I know of. It is a great improvement over the Win program, which was the previous work incentive program, and some of the other changes are having some effect on our constituents. But as I say, obviously we hope it will go a lot further.

Mr Sterling: I would just like to make it clear that Mr Sutherland is telling an outrageous lie when he says that the—

Mr Southern: I object to that. Who are you calling a liar, pal?

Mr Sterling: I am calling Mr Sutherland a liar.

The Chair: Mr Sterling, you cannot use that language in the committee and you know it.

Mr Phillips: It is not you, John. He said Mr Sutherland.

Mr Southern: I thought he said Mr Southern.

The Chair: Mr Sterling, I am going to have to ask you to withdraw that comment.

Mr Sterling: I will withdraw the comment of calling him a liar, but I will say that his information about what my leader, Mr Harris, has said with regard to a balanced budget for this year is totally inaccurate, without foundation. Mr Harris has never said that a balanced budget was possible this year. What Mr Harris and my party are concerned about is the lack of effort on this party's part to trim its expenses, particularly those people who have been doing quite well. We made some suggestions about the greater public service who are guaranteed jobs.

We object very strenuously that some of these people are getting 10% and 11% and 12% and 20% wage increases, while people like yourselves are being denied adequate funding for programs and for other things.

Our concern about deficit financing is that we see this provincial government going down the road to the same kind of fiscal position that the federal Liberals and the federal Conservatives have put us in with regard to our federal situation, where federal governments—be it this

one or the next one—are going to be limited in what they can do for people who need help. So we are concerned that, particularly at this time, the Treasurer has, number one, shown no idea or taken no responsibility for constrained spending where we think it could be constrained. Also, projecting a deficit over the next four or five years is going to put governments, when we get into another recession, which usually happens every five, six, eight years, in an even more difficult position than this government is in at this time to help out groups that need to be helped out. That is basically where we differ very greatly with this government.

My concern is more with the deficit that this government has talked about going into next year and the year after and the year after. Do you have any concerns at all about deficit financing?

Mr Southern: I think anybody has to have a concern about it. Maybe the government or whatever should redefine where it spends money. But I know from my own constituents I do not think we can not spend money in this area. What do you do when people are living in poverty? Do you want to oppress them more? You cannot say, "We've got a recession this week; you don't get your family benefits cheque." In this day and age I do not think you can do that. If you help people off the social assistance programs, and I think disabled people have not got enough of that yet, then as I say you can turn them into valuable people who will pay taxes and pay their own way instead of relying all their lives on handouts.

Mr Sterling: I do not think the drive by any politician or any political party is much different from the other in terms of what they want. It is the means by which they get to that result. Our concern in our party, and my experience over the last five or six months, have been that the business community is not reinvesting in this province; they are voting with their feet at this time. Therefore the revenues we need in order to help people out will not only not be there this year but may not be there five years from now, so it will put any government in the position of being a more unkind and less generous government, regardless of who holds the reins of power at the time.

The problem we are facing at this time is one which seems to continue endlessly. What do you think about guaranteed annual incomes and that kind of approach rather than the whole number of different social programs we have?

Mr Southern: I think that maybe Harry would want to address that. He was going to mention that anyway, were you not?

Mr Beatty: Whenever people look at this area they always say, "There should be a comprehensive plan," and then as soon as anyone starts to look at how to do it, it looks like too much to do. Clearly our group does not have a model as to how this should be done. A guarantee or universal plan is not much help if it is inadequate. But I think people would say there does need to be a good comprehensive review, at least, of how these programs are actually working in Ontario, not just how they look on paper, particularly looking at things like: Is there encour-

agement of training and education? Are these programs efficient? What percentage of the dollars coming in from the payers—whoever they are, government or employer or people paying premiums—is coming out the other end in the form of actual support?

An area that is of great concern is the interactions between the programs. I could give some very sad examples. For a person who is clearly disabled and is waiting for benefits because of the circumstances in which he became disabled, there are three or four different plans that conceivably should or ought to pay him. The person sits there with no money while somebody tries to resolve whether he has a workers' compensation claim or a long-term disability claim or which of these various payers he should be going to. So I think certainly it is worth a serious look at this area. I find disabled people to be a bit sceptical about grand schemes as well.

Mr Southern: The point you made about adequacy—if the payment is low and it is meaningless, what is the point in having an annual guaranteed income for disabled people if you cannot live on it?

The Chair: Unfortunately, our time is up for this presentation. I would like to thank you for coming and making it.

Mr Southern: Thank you for your time.

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ASSOCIATION OF DAY CARE OPERATORS OF ONTARIO

The Chair: Our next presentation is the Association of Day Care Operators, Judith Preston, president.

Mrs Preston: I would like to introduce Liz McWherson. She is a colleague of mine and also on our board of directors.

We appreciate the opportunity to speak with you and air our views on how child care has been handled within this budget and by this government.

The Association of Day Care Operators of Ontario directly represents more than 11,000 child care spaces in centres employing over 1,500 workers and providing service for approximately 11,000 Ontario families. Indirectly the numbers triple, as ours is the only association which addresses the concerns of over 700 independently operated child care centres. It is, in fact, the only association in Ontario which represents the directors and operators of licensed child care programs, regardless of auspice.

We have a unique view of the situation, as we immediately see the devastating results of government decisions on this sector.

Our members have led the fight for years for quality, affordable and accessible child care for the children of Ontario. We are working parents ourselves and we know and understand the challenges which face others in the same situation.

The immediate need is for more subsidy dollars, not more spaces. All child care funding must go in just two directions: subsidy funding and government monitoring.

At the present time no new government-funded child care spaces should be created. This association recommends the

funds currently allocated to capital financing be redirected to fund subsidy spaces.

While this budget made no specific announcements for child care, policy statements made by the Minister of Community and Social Services have indicated the manner in which the funds allocated to this ministry for child care will be spent.

In the NDP's *An Agenda for People* in August 1990, stated policy on child care was:

"New Democrats understand and support the struggle of working parents to care for their children. We have fought hard for affordable, quality child care in Ontario. New Democrats believe that parents have the right to work their jobs and have quality care for their children.

"New Democrats would provide funding for 10,000 new non-profit child care spaces and for subsidies on 10,000 spaces in each of the next two years. This would cost \$240 million in total."

We have some difficulties costing this promise, as it is somewhat ambiguous. Do you mean 10,000 spaces this year and a further 10,000 new spaces next year, for a total of 20,000 new spaces and 20,000 new subsidy spaces, or a total of only 10,000 new spaces but a total of 20,000 subsidy spaces? What happens in year three?

The current cost to provide care for one child for one year is approximately \$6,000 before pay equity. At this rate, the cost for the subsidies would be \$60 million in the first year and \$120 million in the second year and every year thereafter, plus, of course, the cost-of-living increase. The cost of establishing 10,000 new spaces could be as high as \$20,000 per child space, a cost of \$200 million per 10,000 child spaces. Depending on how these promises are interpreted, the cost could range from \$260 million in the first year alone to \$500 million, not \$240 million as estimated. These more realistic cost estimates may explain why these specific promises have not been delivered yet. We can but hope that the costing in the recent budget has been done more accurately.

In our position we cannot hope to tell this or any other government the dollar amount which should be spent on any particular budget item. We would hesitate to approach this even from a percentage basis. However, as taxpayers, business people and parents, we feel it appropriate to comment on the strategies, policies and directions.

First, the concept of such a huge deficit: If the cost of this budget is accurate and the deficit stays at the promised level, it is bad enough. However, there is no guarantee that the deficit will stay at \$10 billion. When we look at figures like \$10 billion, it quite frankly stuns the average person. So we try to relate to our business or household budget. We know that during hard times, if we overspend, it takes that much longer to recover. We know that in order to balance our budgets in hard times, when emergencies come we must reduce spending somewhere else. This government has done neither. We do not want to see the people of Ontario paying for this deficit for years.

This government has some very specific ideologies and goals resulting from these ideologies. Both Mr Rae and Ms Akande, in letters to our members, have stated: "The child care system must provide high quality care that is afford-

able to working parents, is accountable to the parents and the community, and pays fair wages to its workers. In our view, these goals can best be achieved through the non-profit sector."

It is time that Mr Rae and his government colleagues step aside from their ideologies and look at economic facts and at what the people of Ontario want, not the demands of a small vocal minority.

Independent child care is accountable. In the Levy-Coughlin report, October 1989, it was found that the independent centres used the direct operating grant funding exactly as directed. In fact, 99.5% of the DOG money went into salaries and wages in independent centres, whereas in non-profit and municipal centres the range was 80% to 89%. This report, which was commissioned by the government of Ontario, stated that the private sector was accountable. Further, we have offered on numerous occasions to develop enhanced reporting procedures which would further satisfy the public's right to know how public money is being used. On a final note, any centre which receives money from the province directly or indirectly, ie, through the purchase of service agreement, must open their books if requested by the government.

Independent centres are established at no cost to the taxpayer while non-profit child care centres cost the taxpayers up to \$20,000 per child space to create. In many cases, non-profit centres are also less affordable to the parent using the service. On a recent W5 program the non-profit centre had a preschool fee of \$125 per week as compared to the fee of \$115 at the independent centre. In May 1989 a study done by York magazine found that 45% of the non-profit centres were in financial difficulties. Some even had to have loans guaranteed by individual parents.

This government may be interested to know that in Mississauga a recent survey was done of child care centre wages. It was found that when the DOG funding was removed the independent centres actually were paying their staff more than the local non-profit centres. The major difference in wages and benefits is the result of government discrimination. The staff who work in independent centres receive only 50% of the direct operating grant. The result is a difference of up to \$3,300 per staff per year. If the pay equity initiative does go through, make that \$5,300. This discrimination must stop.

The government is to be commended for its efforts to make high-quality child care available to working parents. To ensure the quality of care, courses in early childhood education are available at many community colleges. Child care centres must have specific numbers of trained staff. To ensure quality, regulations exist. All centres must comply. To ensure quality, all centres are monitored. Please note that the training, regulations and monitoring apply to all centres, not just those preferred by this government.

The one aspect which has not been discussed is availability. In the past few years we have seen many new non-profit child care centres open, then close. There have been insufficient funds to operate the spaces created. What is the point of creating spaces and not providing operating costs?

A survey done in April indicates that over 25% of centres had vacancy rates between 20% and 50%. The centres were experiencing financial hardship and were forced to lay off staff. The vacancies were not caused by the lack of children needing care but by the lack of subsidy dollars. At the time of the survey, the overall vacancy rate in the centres surveyed was over 24%.

1520

Again quoting from *An Agenda for People*:

"Current high interest rates are having a devastating impact on small businesses. We propose to introduce a program of reduced-interest loans to small business for startup costs and to refinance existing high-interest loans."

Any new child care centre, regardless of auspice, should be eligible for funding through this type of program. Independent centres should qualify for startup funds under this program as they are small businesses and employ literally thousands of citizens in this province. If non-proprietary operations were forced to pay back their startup costs, it is guaranteed that funds would be used more wisely. This also can ensure a continuing source of funds for child care centre development.

In the NDP policy paper on child care, it is stated, "there is no room for profit-making in the care of children." Let us take a realistic look at this position. The Association of Day Care Operators believes there is no room for excessive profits in child care, but there is room for the director or owner/operator to make a reasonable return on his or her time, energy, expertise and investment.

In many regions, profits are controlled through the purchase-of-service budgeting process. In Hamilton-Wentworth, an independent operator is permitted a 10% profit line. However, 80% of capital costs of additions or renovations or major equipment, all computer costs, costs of loan repayment from startup, any deficit resulting from a larger than 5% vacancy rate and all business taxes must be deducted from this 10%. Hopefully, at the end of the year, the operator has been able to make a reasonable return.

Providing that the discrimination issues are addressed, independent child care centres can solve some of this government's financial problems. Any new spaces can be established by this sector at no cost to the taxpayer. All independent centres would meet or exceed the current government regulations. Due to the business practices of most independent business people, the centres would be established where there is an established need.

The Association of Day Care Operators suggests the following be considered: that all funding be directed towards assisting the families in need to cover the cost of child care; that all funding be directed through the purchase-of-service system. The DOG funding and the pay equity funds should be rolled into the subsidy system. This will result in increased per diems. The end result would be seen in higher salaries and a more stable workforce.

That the eligibility criteria for subsidy assistance be adjusted to allow more families access to the system.

That for a period of at least two years, the municipalities be relieved of the requirement of 20% to cover the cost of subsidy spaces.

The policies which exist in Ontario today have led to the closure of many child care centres—18 independent centres in the last six months that we know about. These policies are also causing the government to consider converting independent operators. In a period of financial hardship, it will become increasingly difficult to just spending millions of dollars to change the corporate status of existing centres when the need is for more subsidy spaces.

We are asking this government to remove its blinders. Non-profit status is not necessary for the children wanted by the parents. What this province requires is immediate assistance for families in need.

It is time to stop the rhetoric. The private operators, quality licensed child care programs in this province are ready to join forces with the people's government to build a partnership. Each of the partners has its own strengths, which, when combined, will ensure for Ontario's children the highest-quality, affordable and accessible child care system, a system of which we can be proud.

Mr Phillips: I might kick it off. You have come at the wrong time, I think, in that "profit" is not a good word for the province right now. Hopefully, it will be in the future.

Mrs Sullivan: In four years.

Mr Phillips: Whenever. I very much sympathize with your dilemma. I know it is partially in here, but I think what interests parents is assurance on quality. They probably are not even quite aware of how the facility is financed and what not. It is just quality assurance. What help can you give the committee in terms of assurance that the private sector child care centres can provide the same quality as the non-profit centres do at the same cost?

Mrs Preston: You can start right at the top in that you meet the same regulations when we are licensed. The *Day Nurseries Act* is what we have to follow. We have the same inspectors. We hire our staff from the same colleges. So the basis right there is the same.

Not enough credit is given to the parents. We have had parents come and inspect our centre and other people's centres, a variety of centres in the community, and end up choosing an independent centre for a variety of reasons. The parents have access to the classrooms and to the programs. They see the program plans. They have access to come in the buildings any time they want to see what the children are doing. I think that is the assurance we can give the parents.

The poster that was introduced by the last government, which we all have to post in our centre, basically has two columns. It shows you exactly the regulations, where you have all your staffing, which staff are qualified, which are not, all the things that you meet. If you do not meet any of the regulations, you get the dot on the wrong side of the poster. It specifies at the bottom exactly where the centre is lacking.

I know there was a study done just in terms of that in London. There was an article in the *London paper* a couple of weeks ago. One of our operators called me up and said, "You know, Judy, all these centres were listed that had provisional licences, and 75% of them were non-profit,"

do not think the auspice is really an indicator of quality. In the poster, the staffing, having the parents being able to come in and see the centre—seeing that they have happy kids, too.

Mrs Sullivan: Certainly your brief really touches people from my community, where the majority of children are in fact placed in commercial centres. Particularly with the recent pay equity announcements, there has been substantial pressure placed on the privately operated centres in terms of their very existence. This becomes a problem in terms of delivery of child care at all in our community.

I am interested in following up on the direct funding proposals that you are putting forward. Has your organization worked with the ministry in terms of cost analyses of direct funding?

Mrs Preston: The short answer is no. We have had an extremely difficult time in the last 10 months doing any work with the ministry.

Mr Jackson: Getting an appointment.

Mrs Preston: We had one appointment.

Mrs Sullivan: With the ministry and with the minister? Have you been able to meet with the minister?

Mrs Preston: Once.

Mrs Sullivan: I see. So as a consequence you have not been able to move your argument forward in any way in terms of the direct funding.

Mrs Preston: Not at all.

Mrs Sullivan: Including the basic research that would be necessary in terms of a cost justification?

Mrs Preston: No, we have not been able to do anything.

Mr Phillips: I think An Agenda for People, just to clarify the numbers, called, in the first year, for \$80 million, and in the second year, for another \$160 million. I gather you are saying that the capital does not look like it was included in their—

Mrs Preston: No. I worked with the figures for a while trying to figure out how they could have come up with that, with the cost estimates we had, unless they want to use commercial operators to open the new centres, because we do it somewhat more cost-effectively, and certainly at less cost.

Mr Phillips: There you are.

Mrs Preston: Our average is \$10,000 to \$12,000, so that might help.

1530

Mr Jackson: Thank you for an excellent brief. I have some working, active knowledge of the issues you have raised for the committee, and I share with you a concern that we have the offensive practice in this province of using female workers and children as pawns in a political exercise.

I know your brief carries with it much self-restraint. The fact is that there are 8,000 women, almost exclusively, being discriminated against by a government policy. There are also potentially some 10,000 children, and by extension their families, who might benefit from a sensitive

government policy that would allow for expansion and access rather than this offensive, and in some jurisdictions illegal, activity of putting out of business one sector which is not a drain to the taxpayer.

Is it true that about 80% of the owners of day care centres are women?

Mrs Preston: I would think that is fairly accurate.

Mr Jackson: So this is also a discriminatory practice against women and their activities in support of the social service sector and their support services.

Would you also say that these activities are putting small businesses out of business and laying off staff? I notice you indicated that, but do you have anything more specific that you can share with us? We are hearing from the NDP that it does not do this, and yet we have discriminatory practices by the minister, Ms Akande directed specifically against women and children, and predominantly, as well, staff. I understand that in some cases even some CUPE members, who are unionized, are being put out of business because their commercial centre can no longer survive in this framework of the government's interference.

Mrs Preston: I cannot substantiate the union aspect.

Mr Jackson: I am aware of one case.

Mrs Preston: You are? I have not heard that. But certainly in terms of people being put out of work, I can get really personal. I just closed down my centre because I found that on the funds that were available through the parents through their subsidy program, with the restraints and some extremely unfair practices in our particular region, I could not operate the quality of program that I wanted to operate. This speaks to the quality of programs. I could have continued operating if I had been willing to cut corners and to operate at extremely minimum staff, but I was not willing to do that.

Mr Jackson: How many employees would you have laid off by the government having forced you out of business?

Mrs Preston: Four. I had a centre for only 25 children, so it was extremely small, which makes it that much more difficult because you certainly do not have the economy of scale that you would have with a larger operation. So it was smaller. Certainly in Hamilton we know of four, myself included, that have closed down in the last three or four months.

Mr Jackson: And those children would have been forced to go to another centre with new teachers, something we try to avoid in a school situation when it is unnecessary because it has adverse effects on the children to be ripped out of one learning, nurturing environment and thrown into a completely new one prematurely or inappropriately.

You have lost your business. You are closing your doors. You are no longer paying taxes to the city of Hamilton because you are not operating that business. You have laid off four people. What was the longest seniority of any of your employees?

Mrs Preston: One of my staff had been with me ever since I opened the centre.

Mr Jackson: Which is?

Mrs Preston: Five and a half years.

Mr Jackson: They have lost all their seniority rights in terms of job placement within this sector in this province.

Mrs Preston: One of the children had been with me for over three and a half years, so you have the same happening with the children as is happening with the staff. She had to go to a new centre and a new school.

Mr Jackson: I appreciate the fact that you have shared that with this committee as a living example of the damage this government is doing with its budget. In spite of the fact that we cannot get a clarified version of what the numbers really total, we are certainly getting a sense of the impact they are having: less access and clearly not as affordable because we are spending tax dollars to compete, when you are providing a service at no cost for your capital. You are contributing to the tax base and yet clearly the government is moving—frankly, if there is any message, it is that if these policies did not work in Cuba, I do not see how they expect them to work in Ontario.

Mr Sutherland: I find it ironic that Mr Jackson wants to accuse our party of being discriminatory against women when his party was in power for 42 years and could not see fit to bring in a pay equity bill so that women could be treated the same way.

Mrs Prescott: you stated that parents are content with a privately operated system. I am not as familiar with all the day care issues as probably I should be, but I have been following a bit. I noticed today you did not bring a teddy bear, and Cam did not bring one as well.

Mr Jackson: We did not know who the new minister is; that is why. I did not want to offend anybody.

Mr Sutherland: For those people who look at it and, let's say, draw an analogy with the education system, the provincial government does not fund private education. What would you say if people want to say day care should be treated in the same way education is? You do not fund private education, so why should you be continuing funding or providing equal funding in that way?

Mrs Preston: There are two things different about education and child care. One, everybody has to learn to read at some point in his life, and from what I understand there is a high number of children in Ontario who are not learning to read. Maybe we should be funding more private schools because I understand that they sometimes do a considerably better job. That is where people who are having trouble with the generally available education take their children, provided they can afford it.

Secondly, child care is not needed universally. We know that from surveys that have been done, both at the federal level and at municipal levels. At the most, at the very outside, everything being what it was a couple of years ago, we would need to double what we have. Right now we are servicing about 10% to 12% of the children in the province. From the surveys that have been done, at the most 20% of parents would like their children in licensed care.

Obviously 80% of the parents out there would like to see their children at home with mom or with dad. One works shifts at night and one works shifts in the day, so

they are able to handle their child care needs and they think that for their children that is best and that is their choice. They want to see children staying with their aunt or with their grandmother or whatever, and that is their choice.

We do not need universal child care in this province in this country. Many taxpayers do not want to fund that even if we did.

Mr Sutherland: You are saying that if there are concerns about difference in quality—you said in your presentation today that you feel the quality is the same—the government has other options of ensuring the quality, whether it is through new standards, new regulations, more inspectors, what have you, that those issues can be dealt with.

Mrs Preston: We would like to see more government inspections, more government consulting with the inspectors. They barely have time to visit us in time to get licensing done, never mind providing any kind of assistance with programming or anything like that with the operators.

I would certainly recommend that there be some monitoring if you will, teeth put in the regulations so that if a consultant finds that a centre, regardless of auspice, is not meeting the regulations after it has been licensed, there would be a procedure that would stand up in court that could force that operator to comply, or, as there was a case in the north end of Toronto where there is an operator who is not licensed taking an inordinate number of kids from what we hear, that there be teeth in the regulations that can take care of those situations.

If we have money to spend, let's put it there and make sure that people opening up have what they should have in order to open up, or if they do not have it there are steps that can be taken. I do not see any point in wasting money closing down existing businesses.

Ms M. Ward: You are opposed to opening new centres. I can see that right at the moment. I know there is a high vacancy rate. I have been visiting a number of day care centres and am in frequent contact with people. The recession is one big factor there, the unemployment rate, people losing their jobs. Even if they have a subsidy they cannot maintain that subsidy. Would you agree that it has had an effect on the vacancy rate and the closings?

Mrs Preston: Yes.

Ms M. Ward: We talk about non-profit. There are really two types there, I think you can say. There are the government-run ones in government facilities where it is social service staff and so on. Then there are the independent community-run ones, which have a board made up of parents, and there is also the option of conversion from private to the community board type. Do you have any comments on that?

Mrs Preston: On converting?

Ms M. Ward: On converting, yes. Just one other point: You said in your brief there is no room for excessive profits. You said the operators should have a decent wage for their time and energy and so on. Given that, would there be that much difference, aside from your investment, in your role in it if you were an administrator with a community

and were being paid that salary for your time and effort?

Mrs Preston: How much time do I have, Mr Chairman?

The Chair: You have about a minute and a half. I do think you can do it in that time.

Mrs Preston: All right; I will race. Another study of dependent operators—people who are opposed to our existence do not read these studies—was done by the Belos-Edwards Group in 1987. Profit was way down on list.

I have worked in government centres and I have worked for the board of education and I have worked for private non-profit with a community board. Quite frankly, the quality of my work has not changed, except that I have more experience. But believe me, I will never, ever work on a community board again. I spent 90% of my time educating people as to why it was inappropriate to run a three-year-old program—what the children did at kindergarten—with a three-year-old, etc, ad infinitum, for the whole year.

Ms M. Ward: Is that one experience, though, or would you say you think that applies to all community boards?

Mrs Preston: I have talked to a lot of people who have done it and I have worked for more than one board, where people come on the board who know absolutely nothing about day care, know absolutely nothing about making a budget and know absolutely nothing about doing a business plan or running a program. They come in and they think they are the boss, because it is status to be on a community board for a day care centre, but they do not know anything.

The supervisor or director spends so much of her time—if you want to check with some of the boards as to the amount of money they are spending educating their boards how to run a child care centre when in this province we have a wealth of individuals who have already got the experience—

Ms M. Ward: They are the parents, are they not?

The Chair: I am sorry. I have to interject. Our time is up and we have other presenters here today. Thank you for coming.

HAMILTON AND DISTRICT APARTMENT ASSOCIATION

The Chair: Our next deputation is the Hamilton and District Apartment Association, Derek Lobo, director. You have half an hour. The amount of time for your presentation will be subtracted from that and that will leave time for questions at the end, divided by three.

Mr Lobo: My name is Derek Lobo and I am a director of the Hamilton and District Apartment Association.

I want to tell you a story. It is an Eastern European story. Ivan the Soviet peasant was working in the field when all of a sudden God appeared before him. God said: Ivan, I'm going to grant you one wish, but there is a condition to that wish. Whatever you wish for, your neighbour gets double." So Ivan thought, "If I ask for a billion

roubles, my neighbour will get two billion roubles." He thought and he thought. Finally God said, "Well, Ivan, what'll it be?" Ivan looked back at God and he said, "Gouge out one of my eyes."

That is the beggar-thy-neighbour attitude that this government has taken with our industry. It seems to be, make the rich, greedy landlord pay. Ontario's property owners were the first victims of the socialist experiment in this province. Punitive, retroactive legislation destroyed property owners, both large and small.

Here is a profile of the members of our association. We have 400 members. The majority of them are small landlords. We have a few small property managers and some contractors in our association. Our association bank balance is just under \$4,000. Many of our members are first-generation Canadians. They are cautious people. In fact, they tend to be obsessed with security. That is why they invested in real estate. It was part of their Canadian dream. It was part of their retirement. They did not believe that Bob Rae or the state was going to take care of them, so they worked a little harder, they saved a little more and they invested in Ontario.

But the property owners were not the only victims of the rent control legislation. Let me show you a real life story, no ideology, no political theory. I brought a gentleman with me. His name is John Makuch. He is one of the owners of RAM Restoration Inc, a company that specializes in concrete restoration of apartment buildings. Here are some of his former employees: Steve Olmstead, Bill MacPhee, José Louie Sousa. All these men have gone to the wall for Bob Rae.

Prior to the NDP, John had 45 employees and he was in the process of hiring 15 more within the next three months. Now keep in mind, this was in the middle of the deepest recession, which you have talked about, Mr Christopherson. He was hiring people, 15 people. He had \$1 million worth of work on the books and he was quoting on an additional \$3.5 million, in a recession. The day after the election, most of his work was cancelled as landlords feared the NDP would live up to the election promises in the Agenda for People.

RAM Restoration Inc today faces bankruptcy. Today RAM Restoration Inc. has 10 employees where there should be 50. How many Ontarians have to go to the wall for this ideology? Tell John Makuch, tell Steve Olmstead, tell Bill MacPhee and tell José Louie Sousa about the social benefits of bankrupting their lives' dream.

In the budget, Bob Rae talks about creating 70,000 jobs. Well, here are 50 jobs for free, Premier. It will not cost the taxpayer a penny. These jobs were eliminated strictly because of Bill 4. These jobs were not lost because of free trade. They were not lost because of the recession. They were not lost because of Brian Mulroney and they were not lost because of high interest rates, but simply because of NDP housing ideology. Why are hardworking men and women, like the people behind me, going to the wall for the NDP?

John Makuch and his former employees are not alone. Bill 4 was really the job elimination program. After massive job losses in the apartment industry, the NDP made

the following statement, and both David Cooke and the Minister of Labour made this statement: "Construction worker layoffs related to recession rather than new [rent control] legislation." That is just baloney. Ask the men behind me why they lost their jobs. It was not the recession.

Here is the ad they took out in the paper, a desperate move: "Thank you, Mr Rae. Your proposed rent control law may have saved me \$25 per month on rent. Unfortunately, as a direct result of this act, I just lost my job. Signed: John Welsh, Pat O'Flaherty, Steve Olmstead, Bill MacPhee, Ernie Lancuso, Mike Shuster and José Louie Sousa, former employees of RAM Restoration Inc." They are behind you. What are you going to tell them?

Here is something else out of the paper shortly after Bill 4 came out: "Rent Control Legislation Crushes the Concrete Restoration Industry in Ontario." Four hundred and fourteen jobs are lost within seven days of Bill 4 coming out. That does not seem fair.

More job losses: Day Restoration Inc, 17 of 35 workers laid off; Oxford Window Manufacturing, 9 of 12 workers laid off; Regal Aluminum—these people make replacement windows for apartment buildings—their workforce was cut in half almost immediately, because all their contracts were cancelled.

If you were not reading the papers around that time, here is what the headlines said. It is pretty clear jobs were lost and these were not related to the recession. Contracts were cancelled.

This is what the Premier said in the Toronto Star about that same time. He said: "The Ontario government is not going to stand by and allow jobs to be lost during the recession." Well, there seems to be a communication problem between the Premier's office and the Minister of Housing. The Honourable David Cooke started slashing jobs left, right and centre, yet the Premier pontificates that saving jobs is top priority.

This province needs leadership, not ideology. A leader's job is to inspire and to instil confidence in those he leads. A leader must accept responsibility. The buck has to stop on the leader's desk.

When the CIA-engineered coup in Cuba failed, President John F. Kennedy did what a leader had to do. He accepted responsibility. He did not blame the Cuban freedom fighters. He did not blame the CIA. He accepted responsibility. The buck stops here.

The Premier of this province does not seem to accept responsibility. It is not his fault. He blames the recession, he blames the federal government, he blames the Bank of Canada and he blames bloated capitalists. The Premier seems to blame everyone but himself. In Ontario's time of need, we need leadership, not finger-pointing.

1550

Now let's talk about the budget. The Ontario deficit of \$10 billion is excessively high. The number, whether it be \$8 billion, \$10 billion or \$12 billion, matters little. The funding to the Ministry of Housing has increased by 39% and at least \$50 million of that money will go to maintaining the slothful rent review bureaucracy you people promised to eliminate.

Unprecedented funding for subsidized housing will compete against the private sector. The taxpayer will be burdened with subsidies of up to \$1,200 a month for some projects, \$1,200 per month per unit. It does not seem to make good business sense.

You cancelled the Red Hill Creek Expressway in Hamilton, which would have created thousands of jobs without competing against your constituents. Many items in the budget seem noble and just; preventing violence against women and equality for aboriginal people. I commend you on these efforts. They are noble indeed. They need to be addressed.

But on other issues, you have to remember that Ontario is not an island. To the east of us we have Quebec, where the entrepreneurial spirit seems to be flourishing. One hour south of here is really the bastion of free enterprise, the United States, and companies are moving there and expanding there. They are getting the jobs while our government is levelling the playing field of employee-employer relations. By the time you are finished levelling the playing field, we are afraid there will be no players left to play on it.

Increased corporate taxation, increased personal income tax, increased minimum wage; these must be done in concert or at similar rates to our neighbours. We cannot afford to be all things to all people. Creating the people's paradise oblivious to your neighbours is a recipe for disaster.

The \$10 billion is a big amount but I really think the true deficit is in the spirit of the people of this province. More than bankrupting the provincial coffers, I think you are trying to bankrupt our spirits, maybe not intentionally but that is what is happening. Tens of thousands of Ontario's men and women have faxed you, written you, marched against you and lost their jobs for you, but you just do not seem to be listening. Oh, we go through hundreds of public hearings but in the end, the ideology always seems to prevail. I sat before the Bill 4 committee. Ideology prevailed there.

How many Ontarians like John Makuch and his employees have to go to the wall for Bob Rae? Socialist regimes throughout the world are toppling. In this hemisphere, we have two socialists left who subscribe to deficit spending, Fidel Castro in Cuba and Bob Rae in Ontario. In Cuba, deficit spending works because Mother Russia bankrolls it. Now Mother Russia has pulled the plug and Cuba will go down the drain. In Ontario, Bob Rae's deficit spending will be bankrupt and we will be bankrolled by our children. You cannot do that. It is not fair and it is just plain bad business. My three daughters should not have to pay for your mistakes.

I want all of you here to ask yourselves the following and answer it honestly to yourselves: Will Ontario be a better place to live four years from now after the socialist experiment? How many more factories have to leave, and do multinationals really want a partnership with Bob Rae after all the things this government is proposing? How can the disabled get jobs when there are no jobs? How can the minorities you represent share the bounty when there is little bounty? Why are you burdening our children with this deficit? Just ask yourselves the question, will Ontario

better place to live four years from now? Regrettably, I think the answer is no.

You could say maybe I am not objective. I am not a member of one of your special interest groups. I am not a member of a union. I am not a tenant. Unlike you, I believe this province is already fair, eminently fair. Ontario has been governed by Conservatives and Liberals and the needy of this province are cared for as well as or better than anyone in this hemisphere. This government does not have a monopoly on fairness, benevolence, social justice or the environment. To think that you alone represent the needy in our society is sophomoric. Many of our goals and objectives are shared by all the people and all the politicians of this province.

Really, it is not your goals that our association is questioning. We have met with you. We have tried to work with you. We are not questioning your integrity; it just seems to me that your competence. This government does not seem competent. But I am biased. I am a landlord. We have been shocked by retroactive rent control legislation. We are a bit upset. But let's look at what others are saying.

European investors who invested in Ontario real estate are outraged by your government's attack on them. They are now channelling their funds to other provinces and other countries. They now consider Ontario in the same investment category as the Third World. Is this your vision of Ontario?

I cut this newspaper article out of the Globe and Mail about two weeks ago. It says, "Quebec Replaces Ontario as US Investors' Choice." This troubled me. I think it would trouble you.

"A growing number of US investors are betting that Quebec separatism is less of a worry than Ontario's socialism." Merrill Lynch of New York says, "Investors that would have normally looked to Ontario are now looking to Quebec."

Congratulations, Premier. It seems that American investors would rather trust their money with a government that is trying to destroy Canada than they would with your government.

This is out of the Financial Post: "Last Straw. NDP Deal Blow as Ontario Faces Slow Flight of Investment Capital."

I think this government in some cases has a simplistic view of some very complicated matters. The NDP sees landlords as villains and tenants as oppressed. Such a simplistic vision of Ontario's housing industry is a recipe for disaster.

In 1989 Bob Rae was asked, "How would you get the current private rental stock out of the hands of the large owners and into the hands of the non-profit organizations?" You have seen this quote many times, but it is really the question that is never read out. The question is, "How would you get the current private rental stock out of the hands of the large owners?" I did not realize that it was an objective.

Here is the Premier's response. He said: "You make it less profitable for people to own it"—that is rental property—"I would bring in a very rigid, tough system of rent review. Simple...there will be a huge squawk from the

speculative community, and you say to them, 'If you're unhappy, we'll buy you out.'"

In that same interview, the Premier said, "You can't talk about rent review till you talk about...ownership." He went on to say, "We need a government program of purchase."

Let's look at the Premier's statement, sentence by sentence. He says, "You make it less profitable for people to own it." Mission accomplished. Conservatively, rental property values have decreased by 25%. Is this what Bob Rae means when he says: "Work with me. I will help you be less profitable"?

And the next sentence, "I would bring in a very rigid, tough system of rent review." That is almost done. After the sham Bill 4 committee hearings, Bill 121 was introduced and I sincerely hope that these committee hearings do not resemble the farcical sideshow the taxpayer had to bankroll on the Bill 4 committee.

"There will be a huge squawk from the speculative community, and you say to them, 'If you're unhappy, we'll buy you out.'" Well, Premier Rae, many of your so-called speculators were international investors, foreigners who came into Ontario and built rental accommodation. They are not squawking; they are just leaving Ontario and they are investing elsewhere.

In Bob Rae's recent article in the Financial Post he said, and I am quoting: "Wealth creation is crucial and we can't take it for granted. Attracting investment, encouraging the market to work, creating profits."

Are retroactive rent controls rewarding innovation, encouraging the markets to work and creating profit? The Premier seems confused. First, he wants to make it less profitable, as he said here. Now he is saying he wants to make it more profitable. Does this leader inspire confidence? No.

Just ask yourselves the following question: Will Ontario be a better place four years from now? How many factories have to leave? How will the disabled get jobs? How will the people you represent, the minorities, share the bounty if there is not any? Ask Bill MacPhee, Steve Olmstead and José Louie Sousa if Ontario will be a better place to live. Is it a better place for them to live now?

That concludes my presentation. I think you might want to ask these gentlemen some questions also. In one case, his unemployment runs out next week. He is going to have to go on welfare. I would encourage them to come and sit here with me and if there are any questions, or questions for them, we would be happy to answer them.

1600

Mr Jackson: Mr Lobo, thank you for a very direct presentation and hitting the nail on the head with respect to several concerns. I guess rent control has been a theme today, because it has been raised by several groups, and affordability of accommodation. But I would like to hit on your concern with respect to the fact that governments have not realized that the failure of government-built housing—there has been more government rental housing built in the last four years than there has been from the private sector. In fact, our current dilemma is an expression of the failure of government-built rental units, because they cannot

build them fast enough. They certainly cannot build them cheaply enough. I have seen some figures that were nearly double the cost for which they could be done.

It seems the taxpayers are not fully aware of what a devastating effect this is going to have taxwise. Would you comment about why you believe this government refuses to understand the role of the private sector in terms of creating wealth, as evidenced by RAM Restoration?

Mr Lobo: It is a very complex question. It goes to this government's philosophy on rental housing. Does it believe in the private ownership of rental property? We have the Premier saying he wants to buy the speculators out. We have the Premier saying he wants to make it less profitable. The only answer seems to be, "Yes, we're going to build co-op housing." I think that is even a little bit of a misnomer—it is subsidized housing. The taxpayer is taking money out of his pocket, sometimes to the tune of \$1,700 per month, to build this subsidized co-op housing. It does not always go to needy people, either.

Why do you not let the private sector do what it does best? Most of this continent is reasonably well housed; most of this continent does not have rent controls. It was working before; it will work again. But for it to work, we need to trust the government again, and quite frankly we are a long way from doing that. After retroactive legislation coming out we are really a long way from trusting this government.

Mr Jamison: You touched on a number of points. You talked about finger-pointing. I find your presentation very one-sided. There are two sides in this issue, of course. In rent control—

Mr Jackson: That is why the workers are here.

Mr Jamison: —there are two sides to the issue. There is the side of the landlord and the side of the tenant.

Mr Lobo: Yes.

Mr Jamison: Okay. What this government has obviously tried to do, beyond Bill 4 and with the new—Bill 4 being an interim measure to catch control of some of the things that were going on out there in a major way. What this government has tried to do is strike a balance. I can equate to your approach as far as having European people come and invest their money wisely is concerned. My father did that, a 10-unit apartment, and under the Conservative government in 1970 there were rent controls in place.

Mr Jackson: In 1975.

Mr Jamison: In the 1970s. He was very successful in managing his property well and making sure the investment was there. The specific concern is where there were problems with rents increasing out of relationship to the actual economy itself. That showed the need for something that happened. If I might just put it into perspective, my understanding of the new legislation coming forward is one where CPI is taken into account and up to 3% over that. I would suggest to you that if the average person who goes back and forth to the factory was allowed that type of ability to increase an extraordinary cost, say when the GST came into play or whatever, over and above CPI, many

would consider that to be fair. I think that is what government is trying to do.

Let me make it clear that it was a promise of government. Even through difficult times we recognize need to implement rent control policies. That was made very clear during the election and to act like it is a surprise today is certainly not the case and should not be the case. I have some difficulty, because I find your presentation very weighted. I would like a presentation that took into consideration tenants' views too, and I think the legislation in fact reflects a balance on that. I would like you to comment.

Mr Lobo: Sure. I think you should ask these gentlemen here who are out of work about the balance of your legislation. But there are a couple of points you make. First, if your dad still owns the building he is going to be mad at you because it has gone down 25% in value and he did not need to go down 25% in value. Second, I do not think you understand the legislation. The interim measure. Let's say I was concerned about the air you breathe in this room. I am temporarily going to put a bag around your head and seal it so that you cannot breathe until I clean the problem. As soon as I do that I am going to remove the bag from your head. That is what you have done to the property owners of this province. You said, "We don't like the current system, so we're going to freeze everything until we figure out what to do."

Mr Jamison: It was not a freeze.

Mr Lobo: Retroactive legislation, sir, for capital expenditures done as early as 1989 were disallowed.

Mr B. Ward: It was 5.4%.

Mr Jamison: It was not a freeze.

Mr Lobo: The 5.4% covered off—okay, conceptual you know what I am talking about. Capital expenditures done in the past were disallowed. These men are now out of jobs. That interim measure, sir, was much too severe. There was nothing in the Agenda for People saying that you were going to come in and put the brakes on a system that, while it was messy and cumbersome, had a sense of balance to it. It had some sense of balance. It was slanted for political reasons, towards the tenants, and really all three parties are to blame here. You guys brought it in, you guys made it worse and you guys killed us.

Mr Kwinter: Derek, you have just made me depressed listening to this because it really is sad. Yesterday we had an appearance by Mel Watkins. Because of the shortage of time I did not get a chance to talk to him, but I had a copy in front of me of the Waffle manifesto and the marshmallow manifesto and I wanted to throw back to him some of his quotations, for example, that the way we get socialism in this country is to get rid of capitalism. I made a great statement about this is the way we have to do it. I was curious to ask him if all of those lackeys he had on his list saying that this is the greatest budget ever going—most of them were supporters of that particular policy.

I really want to talk to the man who has lost his business. What do you feel is happening? Where are you going to go from here? What is going to happen to you?

Mr Makuch: I do not know. We are just taking it day by day and we really cannot plan anything. All we know is when the recession hit we did not take up the same logic as the government. I did not give my partners it cards and say: "Go out and spend. Let's spend our way out of the recession, boys." We cut back and tried to live on our own. Would I go home and give my wife a credit card and say, "Honey, we're going to spend our way out of the recession?" This is what the government is telling us to do. Does this make any sense to anyone? How can they do it? Countries run the same way a business does or a household does. You have money going out and money coming in. After everyone is working for the government, how the hell is going to pay taxes? Where is the money going to come from? That obviously seems to me what they are trying to do. No one is going to invest in business in this province. I know if my company goes bankrupt, and there is a good chance of that, I am seriously going to take a look at whether or not I will ever start another business and whether I will move my family south.

When your own government, the people you think are going to help you, put you out of business and put people out of work—He has already been to the welfare office. Is that the plan? Is everybody going to be on welfare? This gentleman down at the end of the table does not know where his mortgage payment is coming from next week. He has had notices put in. What is he going to do? It is not like me who have to look them in the eyes and tell them that, while all these people sit behind their big office doors and shut out anything they do not want to hear.

We are going to have to wait four years to see how much damage this government does. We know right now that in four years they will not be here. All the polls have shown it. They are gone. They are history. I guess they are going to scramble and just see how much damage they can do in four years and then we will have to pick up the pieces. Everyone I have talked to recently realizes the mistake they made voting this government into office. They have told me they will never, ever vote for them again. If these committee hearings are shams and do not work, then that is the ultimate. We are going to wait four years—out they go, never to return—and we will try to build a new Ontario when it is finished.

Mr Lobo: The key point here is that these people did not need to lose their jobs. This was not about the recession. This company was expanding. At the height of the recession it was expanding and it was chopped down by Bill 4. That is the difference. There are lots of workers out there who are unemployed. They are heading towards welfare. They are worried about what is going to be on the dinner table tonight, but they are unemployed because of the global situation. These people are unemployed because of the NDP. That is the real tragedy here.

Mr Makuch: I was at the committee hearings too and cannot tell you how many times I heard that, the guy hired some shoddy contractor and he did lousy work. Why do we not fix the solution, police the work better, take care of the landlords who are abusing the system, not discriminate, which is something they claim they do not want to

do? They want equal rights for everyone and yet they slam people and discriminate. It is unbelievable.

The Chair: I am sorry, but your time is up and there are other deputations to be listened to this afternoon.

1610

BEVERLY CAMPBELL

The Chair: Our next presentation is from Beverly Campbell, president of Equity Concepts. Thank you for coming. We have allocated 15 minutes for you. I think you were informed of that. Whatever time is left will be divided among the committee.

Ms Campbell: My name is Bev Campbell. I am a management consultant with a practice in downtown Toronto. While I provide general management advisory services, my main interest is in employment equity. By training and experience, I am a certified general accountant and a former professor of accounting and finance at George Brown College.

I would like at this time to say thank you for the opportunity to make this presentation today. The purpose of my presentation is, first, to speak in support of the government's plan, as expressed in the budget; to point out the inevitable portion of the deficit and the causative factors, and I want as well to applaud the government's decision to support the people and to invest in recovery and in future stability in Ontario.

Second, I wish to express support for the government's initiatives towards improved fiscal management by establishing the Fair Tax Commission, which will explore fairness in taxation; establishing the Treasury Board to manage budget expenditures and to implement multi-year budgeting, and separating the operating and capital budgets, which should provide some clarity of purpose.

Finally, I wish to express my views concerning management of the province's largest expenditure, which of course is health care.

At issue is the planned deficit of \$9.7 billion for 1991-92 and, as a secondary matter, the planned continuation of annual deficits for an additional four years, although decreasing gradually in magnitude until break-even is achieved in the 1996-97 fiscal period.

Given the factors contributing to the current year's deficit, the managed, limited-term continuation of deficit budgeting is essential to the success of a managed economic recovery and the managed structural changes needed to provide the basis for sustained prosperity for all in Ontario and perhaps in Canada.

Speaking about the inevitability of a deficit, three major conditions or external actions account for a major portion of this deficit.

First is the recession. As you know, it is continent-wide in its scope. It is substantially worse than in 1981-82 when measured by job loss, and Ontario has been the hardest-hit region in all of Canada. The resulting budget effect is significant loss in tax revenues, both personal and corporate, estimated to be about \$1 billion in the current year; significantly increased demand for welfare support, and pressure on Ontario to maintain its contribution to national

economic stability, that is, in personal and corporate federal income taxes and consumption taxes, etc.

The second contributing factor to an inevitable deficit position is the federal government's actions and policies. The federal budget continues to shift budget strain to the provincial level by reductions in transfers for health, post-secondary education and social assistance. Since all three expenditure areas are critical, either because of recession-caused support demands or the need to develop competitiveness for long-term survival and prosperity, the provincial budget must pick up the slack.

Federal monetary policy, which keeps interest rates and the Canadian dollar artificially high by historical standards, is having a serious effect on the ability of Ontario manufacturers to raise capital and therefore to generate growth in jobs, as well as to compete in the export market.

The free trade agreement, while philosophically desirable in the long term, was implemented far too quickly for Canadian and, of course, Ontario firms to adjust and prepare for. This added pressure contributed substantially to the loss of Ontario jobs as firms moved south and to the bankruptcy rate as other firms knuckled under to southern competition. The future looks even bleaker as Mexico is added with its relatively cheap labour—hence the importance of investing now in improving Ontario's ability to compete internationally.

Finally, pre-existing Ontario expenditure levels, combined with a pressing need for capital expenditures, provides an inevitable deficit starting point—1990-91, a \$3-billion deficit, which of course was not predicted.

Taken together, these three areas account for the inevitable portion of the deficit, a measurable \$5.6 billion, plus any additional costs which are not so easily identifiable.

The balance of the proposed deficit may be attributed to the government's decisions to: support and assist the people of the province who are suffering now from the recession, as well as those who continue to suffer a long-standing disadvantage economically; fight the recession with targeted expenditures for research, manufacturing, agriculture and northern Ontario development; invest in the future with capital expenditures to adjust and enhance the province's infrastructure and with a significant investment in structural reform of the social assistance system.

I believe that Ontario's fiscal plan designed to fight the recession and build for the future, rather than reducing the public debt, is the only responsible approach to take. The alternative would leave the province with an ongoing and growing social assistance account and a workforce not adequately prepared to fill the high value added jobs needed for this province to be competitive in the emerging economic environment.

The government's fiscal management initiatives should provide some assurance that fairness in taxation and cost-effectiveness in program administration are treated as priorities.

1620

The Fair Tax Commission, established to advise the Treasurer on how to achieve a more equitable tax structure, has a diverse and intelligent membership and a mandate to consult broadly. The comprehensive review of our tax system is long overdue and I hope will contribute sub-

stantially not only to fairness in taxation, but also to proved understanding of the role of taxation.

The creation of separate capital and operating funds will highlight investment in the future, as distinguished from current maintenance expenditures.

Finally, establishing a Treasury Board to manage expenditures for cost-effectiveness and, importantly, to complement multi-year budgeting provides comfort that responsible planning and control mechanisms are being put in place.

The last topic I wish to deal with concerns the health care expenditures. The province's largest expenditure function, health care, which consumes approximately one-third of the budget dollar, is in desperate need of financial management. I applaud this government's initiatives towards gaining control through a landmark agreement with the Ontario Medical Association on doctors' earnings and stricter controls on drug prescription and on out-of-province health service payments. However, only a fundamental shift in focus from treatment of illness to prevention of illness will have any major impact on the health of the people and the budgets of this province.

Bill 43, the Regulated Health Professions Act, and companion bills broaden recognition of health care providers to include more of those who are engaged in preventing health and represents a move in the right direction. The recent joint venture of the Ministry of Community and Social Services, the Ministry of Health and the Office of Senior Citizens' Affairs dealing with long-term care reform is another.

As well, increased attention to poverty, wife and child abuse and the need for affordable housing will all contribute to shifting the focus from treatment towards prevention and help to bring down health care costs in the long run. Much more needs to be done, and it needs to be done soon.

In summary, the budget deficit is in part inevitable and in part the result of a purposeful approach to economic management that is sensitive to the legitimate current and future needs of citizens and recognizes Ontario's responsibilities to the rest of Canada, even during a most difficult period. Investment in Ontario's people and its infrastructure now will develop the productivity levels needed to compete effectively in the post-recession environment. It is then that we can direct our resources towards reducing the public debt.

I thank you for hearing my views.

The Chair: Thank you. We have time for one question from each of the parties, beginning with the New Democrats.

Mr Christopherson: I want to thank you, Ms Campbell, for your presentation. I would caution you to sit tight there. You are the second CGA that has been in today, and the first one, I would suggest, in my opinion, was insulted, grilled and cross-examined as to motivation as opposed to the particulars of what was presented. I can only hope you will not be subjected to that type of treatment also.

Let me ask a very direct question. Since you have supported the philosophy the government has adopted, without necessarily talking about all the details, what in your

ation would be the result on people and the performance of our economy if Ontario had not followed the way we did and had just followed lockstep with the money approach and the Tory approach to running the economy during the course of this recession?

Ms Campbell: My opinion is that Ontario would have suffered substantially in terms of its industry. Certainly jobs were being lost at a fairly rapid pace on the way we were on. I think at best we would have ended up being able to simply maintain the people of the province without doing anything at all to build for the future, that is at best. I think at worst we would be unable to ensure the normal welfare, if you like, of the people of the province.

Mrs Sullivan: I am quite struck with your emphasis on your document on the importance you place on fiscal management and financial management. I am quite surprised at some of the things you applaud that have been included as part of the budget as examples of fiscal management that you see from this government.

I would like to give you three examples. You mentioned the OMA agreement. I wonder how you can justify that agreement as an example of fiscal management when arbitral arbitration is included, with no accountability to taxpayer for ultimate decisions of the arbitrator, which I personally believe is a rampant example of fiscal irresponsibility.

Second, I would like to ask you if you would comment on the viability of operating deficits, ie, putting into short-term deficit and therefore long-term debt the day-to-day expenses of government, which this budget does and which has not been the practice in the recent past, when indeed there has been fiscally responsible budgetary management. I would also like to ask you, since this is partly your professional field as well, to expand on your support for separating operating and capital budgets and ask you how you would therefore clarify existing public sector capital budgeting, and in a fiscally responsible way, not only in terms of reporting, but rather than writing off new capital over a period of 20 years, how you would see public accountability and a reporting operation from the government that would not be puffed up in terms of the capital reporting that is included.

Ms Campbell: I will deal with your first question first. I think I have pointed out the deal with the OMA not so much as an example of good fiscal management but more as an example of the way in which the government is addressing the out-of-control health care costs.

Mrs Sullivan: I do not understand that conclusion.

The Chair: With the element of fairness in mind, one session was allocated and you have asked three. If every member were to do that, then staying on time would be an impossibility. I have had direct instructions from the subcommittee to try to move these hearings along on time. So we can allow the presenter to give her answer and then on.

Mrs Sullivan: The question was one question using three examples for her to comment on, a question directly

related to fiscal management, which was the point of Ms Campbell's presentation.

Mr B. Ward: What is your ruling there?

Mr Chairman: My ruling is that if you could answer the question, please, and we could ask these questions in a briefer manner.

Mr B. Ward: She did answer.

The Chair: Mr Sterling?

Mr Sterling: I am not surprised. In fact, I think we met before when you were president of the Certified General Accountants Association of Canada, and I think you were one of the few NDP supporters in the CGA movement. I think you also indicated to me you had served as chief financial officer to some NDP candidates. Is that right?

Ms Campbell: That is correct.

Mr Sterling: So I am not surprised by the—

Mr B. Ward: That is your question, Norm.

Interjections.

Mr Sterling: I would like to ask you, I guess unrelated to this, how are the negotiations going with the Attorney General with regard to CGAS? I know you are an executive director of the CGAs with regard to the importance of CGAs having the right to do public audits. When are we expecting an answer? Is there anything coming along on that at all, or is there some movement expected on that?

The Chair: That question has nothing to do with the—

Mr Sterling: She does not have to answer it. That is fine.

The Chair: If that is the preference, I would then thank you for your presentation this afternoon.

1630

BARRY W. HENAUT

The Chair: Our last presentation is from Barry W. Henaut. We have received a submission from him that was written in. If you would come forward, please.

Mr Henaut: I know in the face of \$9.7 billion, a small statistic like this is going to seem petty, but that is what we devote ourselves to in scholarship at the universities.

I got back a letter from the Social Sciences and Humanities Research Council of Canada telling me:

"Dear Mr Henaut: We have reviewed your file for a post-doctoral fellowship. This year, for instance, the committee adjudicated more than 450 applications, but in the view of the limited funds available to the programs at the council, we were able to offer only awards to one third of the applicants."

Your chance of getting a post-doctoral SSHRCC in Canada at this point in time is one in three. Senior scholars review 450 files in order to send out a mere 148 1/2 grants. The rejection letters come in at the rate of 297.

I read this and I get frightened. People are desperate, looking for any kind of post in the university system, and then when I call about a little budget hearing and ask about the budget, "Oh, we're just about average, not too much,

not too little." "Well, could you give me a ballpark figure?" "Oh, it doesn't matter if we are having these hearings at all on this amount of a budget, because we'd just be doing something else instead."

When Mr Decker finally provides his statistics, it is \$120,000. There are four positions right here, four letters that could go out for 30 years of faculty renewal. In order to drop a filibuster, you decide you are going to spend four faculty positions, and you have got the Treasurer on the front page of the Globe and Mail saying: "Hey, we've done a backroom deal with Bob White and the boys and we're just not going to change it any more." But in order to break the filibuster and get on with the nice daily reality of getting speeches and doing a little photo op here, we are going to spend the money on this rather than this. That frightens me. It terrifies me, because it says to me you guys just ain't in control.

I pick up the newspaper. I realize I am taking time out of my thesis. I tell you, I have so little time already, but I see this in the Globe. They have got money. They are organized. They are out saying: "This is the Canada we want. Immigration—too little room. Get these people who want to come in here out. Keep them out." The only way you seem to come up with dealing with fundamental problems like this, which just will not go away—\$120,000.

This is not learning. I tell you right now, if this was learning in the classroom at the university, I would rather be a janitor. I could respect being a janitor. I could respect being a janitor because my father worked as a miner before I was born, hoping that some day I would have a chance to do something a little bit more dignified. He felt no shame in going down into the mine. It was his deal with the future. I was not even born yet, but he was preparing for my future, going into the mine every single day, breaking his body, hoping that some day I might have something a little bit better.

There seems to be total apathy throughout the whole country. I send a letter off to Bob Rae. I know I am being a little bit unpleasant, cocksure. I cut out these nasty little ads and put them right there in his face, and I go, "No." The average dog in this country is more intelligent than the politicians, and that is a sad reality because we are spending too much money on this and we need to put a bit more in here. One in 10 positions in this country is shuffling paper in bureaucracies.

When Voltaire complained, "This country"—England—"is a nation of shopkeepers," that I could respect. There is at least a little decency in keeping a shop, but he thought maybe they should think: We can do a little bit better than being an entire nation devoted to nothing else but shops. If he were here today, I think he would say to you, "Canada has become a nation of bureaucrats," and the only way I can contact you and get your attention is to put a little PS, "Look out, trouble coming."

I know that I just have to go home and wait because I have already documented the paper trail that lawyers are so fond of, the letters that say: "Go away. You make me feel dirty just seeing a piece of paper from you. Why don't you go out and get a job?" I am trying. You are telling me I have got to compete against one in three chances and you

already have a form letter on your little computer and splice in my name and then you stamp it and you "That's the public service. You should be thankful that we have so many bureaucrats here devoting thousands of hours so that we can send out personalized little form letters from the computer." You send us graduate students trying to teach the youth and the people of tomorrow are going to deal with the fundamental destinies of the country and you tell us that maybe we should try and be a little bit more competitive.

Maybe when you get a paper from your son or daughter you say:

"Dear Student: We have gratefully received your recent submission in REL 241YB and we have read it with interest. We think you are showing progress in the course and we hope that you will continue to show confidence in our university systems. We look forward to your most recent and future submissions and we think you are on track for a good record by the end of the term. Yours sincerely"—bar stamp—"Barry Wayne Henaut."

Any idiot can set up a computer file like that and send them off in record time. We have people trying to put a little bit more personality in the human dimension of learning in this country, and everyone seems to think, no, we should be spending \$120,000 to drop a filibuster because Bob Rae just happens to think it is better than trying to figure out some way to embarrass Mike Harris on doing it. He cannot find somebody in this vast bureaucracy who has got a little bit of political history or philosophy who can find some way for Bob Rae to go before the cameras and say: "Well, there he is. He's going to filibuster this, filibuster that, filibuster this." After a little while even Glenn Gould on a one-note piano is going to sound a little like a water torture test, and the only way Bob Rae can figure out how to deal with it is to urinate all the money down the toilet.

I happen to think the university system is delivering a far better product for the money than you guys are, and I do resent it. Every time I pick up the Globe and Mail and look at all those public service positions being announced they just seem to appear out of nowhere. You decide we have a new crisis and run the numbers through. Let's create a few more positions here, and meanwhile take out a few professors from the humanities so that they can work a little harder giving personalized service at the university.

That is what this is about, and if you happen to think that the best way to run this country is to do this instead of this, you are failing the exam and the final is coming in four years and all of you are going to be out.

Mr Kwinter: Barry, I found your presentation interesting. I have a question for you. If you had been in one third that had been accepted, would you be here?

Mr Henaut: Yes, I would, because I happen to think even a one-third ratio is not good enough. After I submitted all of that material, do you think I do not think there is a number-crunch problem here? Is that what you are telling me? If somebody, after I signed a book, came back with that kind of poor reading comprehension, I would say "You are not going to pass this course. You had better study."

turn reading comprehension." I happen to think there a lot of people in the university system who think a third ratio is not good enough and a lot of them are the third that are up there high enough. Yes, I do. I would be even if I was that one in three.

Mr Sterling: It is getting late in the day and I cannot of a question which would be appropriate.

The Chair: Thank you for your presentation this afternoon. This committee stands adjourned until—

Mr Sutherland: Before we adjourn, I just want to, in terms of the subcommittee possibly meeting tomorrow to discuss the presenters for the different cities locations across the province we are going to, whether would be possible tomorrow at noon.

Mr Sterling: Not at 12. I have to fly to Ottawa tomorrow afternoon at 1. So I am going to be leaving around 11:30.

Mr Sutherland: Is it possible to do it in the morning?

Mr Sterling: Yes.

Mr Sutherland: Are we starting at 9?

The Chair: Yes.

Mr Sterling: I am amenable to meeting for breakfast

Mr Sutherland: Are you back on Thursday?

Mr Sterling: Yes.

The Chair: We could postpone it until Thursday.

Mr Sutherland: We could even do it Thursday, but it needs to be done so that we do not run into the problems that we have already run into for this week. Okay?

The Chair: Yes, Thursday at noon.

Mr Sutherland: Are we starting at 9 on Thursday as well?

The Chair: Why do we not do it right after the committees finish hearing their deputations at 12 on Thursday, and then we could do it right here? Is that agreeable?

Mr Sterling: It is going to take more than 10 minutes.

The Chair: We all have lists, correct? If you were to come in with the pre-designed or pre-conceived notion of whom you would like on those lists, then it is a matter of making the decision.

Mr Sutherland: It is still going to take more than 10 minutes.

The Chair: Should we come back at 12:30, go down and get our lunch, come back here and do it? Okay. Then the committee stands adjourned until 9 tomorrow morning.

The committee adjourned at 1643.

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Association of Day Care Operators of Ontario	F-
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Beverly Campbell	F-
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1991-92 budget

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Le mercredi 31 juillet 1991

Comité permanent des affaires
économiques et financières

Budget de 1991-92



Chair: Jim Wiseman
Clerk: Todd Decker

Président : Jim Wiseman
Greffier : Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 31 July 1991

The committee met at 0911 in room 230.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: If there are no objections by the members I think we should begin. We have a full agenda for this morning and should attempt to stay on track as closely as we can.

ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Chair: I would like to begin this morning's proceedings with the Association of Municipalities of Ontario. Mr. Harrison, president, and Grant Hopcroft, past president, welcome to the committee. You can begin your general remarks. You have half an hour, and whatever time is used in your presentation will be divided equally among the three parties for questioning at the end. If you would begin, please.

Mr Harrison: Thank you, Mr Chairman. As you indicated, the deputation this morning is composed of myself, a member of council for the township of Delhi down in southwestern Ontario and current president of the Association of Municipalities of Ontario, and Grant Hopcroft, our immediate past president, who is a councillor from the city of London.

We are here to speak specifically to the issues arising out of the budget which impact directly on the municipal sector and the functioning of municipal government in the Province of Ontario. We have provided members of the committee with our brief. I realize you have just received this morning. I would like to take the opportunity of highlighting the brief, if I may, and as you said, we would be happy to make ourselves available for questioning by members of the committee.

As a general comment, the reaction of the municipal sector with regard to the budget has been cautiously positive. I think that is the best way to phrase it. For the first time in many years, there is really very little direct impact on the municipal sector contained in this year's provincial budget. With regard to those areas where there is an impact, our analysis to date has identified nothing of a negative nature, but a few positives which we will touch on as we go through the brief.

A further general comment would be that if we have any problem with the budget and the way it has been brought forward to date, it is in terms of issues of timing and thus far not giving sufficient detail to be able to do an in-depth analysis with regard to some of the impacts. As a general disclaimer, to begin with, I should say we retain the right in the future, when we see more detail with regard to the impact of the budget, to change our view about some of the issues we are going to raise with you this morning.

We did appear in front of this committee in deputation at the end of January of this year with regard to a pre-budget consultation. You will see at the bottom of the first page and the top of the second page of our brief nine issues we raised regarding what we hoped we would see in the budget when it finally was brought down. Some of these issues are being worked on, in an ongoing fashion, between my association and the appropriate cabinet ministers.

Two of the recommendations we made at that particular time were contained in the budget, in sort of a backward way with regard to at least one of them. We had requested that there be no new cost-shared programs included in the budget, and in fact none were; and that the unconditional transfer payment announcement, which had not been made at that point, be an across-the-board increase to every municipality at least to the level of inflation. That took place.

To move from the general to the specific, the first issue we are dealing with in specific terms starts on page 3 and is with regard to social assistance. This is the largest part of our brief and the issue we go into in most detail, again largely because more of the details regarding the implementation of these particular provisions are available than those regarding some of the other provisions in the budget.

The social assistance reform package included in the budget includes about 59 reforms to the welfare system, at a cost of \$215 million to the province. Included in that package is what the budget sets out: \$25 million in aid to municipalities. That aid to municipalities is divided almost equally between reforms to the general welfare assistance program arising out of what is called the Back on Track report. This makes various changes to welfare benefits. A significant number of those changes cost municipalities money because we cost-share those programs. However, there are some changes that save us money, specifically the shifting of sole-support parents from the GWA rolls to the FBA rolls.

The second initiative that is intended to save municipalities money in the budget is a shift of what I have come to call the 4% solution to a 3.5% solution. Basically, this is an effort to give assistance to municipalities where more than 3.5% of the population of the municipality is on general welfare assistance.

The position of our association for many years has been, and still is, that rather than doing what is included in the budget, the government should be giving a clear signal and beginning to move toward paying 100% of the cost of general welfare assistance, both with regard to allowances to recipients and to the administration of the programs. This clearly did not happen in the budget.

We further requested, in our pre-budget consultations, some immediate interim relief for municipalities hit hard by growing welfare rolls and consultation with the government with regard to implementation of reforms. After the

reforms were announced, we set up a mechanism for consultation with the Ministry of Community and Social Services in terms of implementation and we are pleased with it.

We are less pleased with the issue of interim relief. We acknowledge the fact that there is some relief in the budget, but it amounts to about 5% of the municipal cost of GWA in the province at a time when our municipal costs of GWA are increasing by about 62%.

Our other comment regards the change of the 4% solution to a 3.5% solution. We do not believe that is an appropriate way to aid municipalities that are the worst hit by welfare increases. It affects only a few municipalities in the province, and there are a significant number of municipalities, where the welfare rolls have increased by more than 100% between 1990 and 1991, which will not benefit at all from that particular provision.

If I can pass to waste management, the budget provided an additional \$28 million with regard to assistance with the 3Rs, 4Rs or however many Rs you want to say there are. We say there are four and the government says there are three. Again, our problem regarding the expenditure of this money is that we acknowledge the fact that this is a more than doubling of the provincial government's commitment to waste reduction. At the same time, since the budget was brought down, we have received no details regarding the implementation of any new programs and no indication of how that money is to be spent. Our contacts within the Ministry of the Environment indicate that the money is to be spent largely in enhancing the blue box program. We have considerable difficulty with that. We think the money should more appropriately be spent in reduction and reuse initiatives. After significant consultation between the government and the municipalities, we feel the blue box program deserves a complete overhaul.

0920

With regard to the announcements that are made, conditional transfer payment announcements in the budget in various service areas appear to be satisfactory. There does not appear to be any shifting of government commitment to conditional transfer payments from the programs we have seen here. Our problem is that the details regarding these fundings are coming slowly, if at all, to municipalities. We are now more than halfway through a budget year, because we run on a calendar year, and our information regarding conditional transfer payments just is not coming forward in the way it should.

Over the past number of years, we have consistently asked for conditional and unconditional transfer payment announcements to be made by the middle of November of each year for the succeeding year. We understand the government had a problem, in terms of when it received its mandate, making those announcements in that timely a fashion, but in the future we certainly urge this committee and the government to attempt to adhere to that particular schedule.

We also acknowledge that the budget identifies the fact that northern Ontario is perhaps the area of the province hit hardest by the current recession and is undergoing structural changes to its economy. This acknowledgement has led to the targeting of a significant package of money into

northern municipalities. We are pleased with that and prove of that particular position taken by the government.

Labour relations are perhaps one of the stickiest issues for me personally, but I will attempt to keep my AMO firmly on, at least for the moment. In his February announcement, the Treasurer indicated there would be \$1 million for the transfer partners to assist in paying for equity initiatives. That was six months ago. No details regarding how that money is to be spent have come forward. We do not even have any indication of how the \$1 million is going to be allocated among the various transfer partners, and we certainly do not have any indication whether that money is to go for administration, for special assistance to transfer partners to pay for implementation, pay equity or where that money is going to go. From my personal experience leads me to think that pay equity is still a ticking time bomb out there, in terms of the impact the transfer partners of the implementation thereof. We need to know yesterday, if not sooner, how this money is to be spent and allocated so that we can have some idea what assistance we will be receiving from the government with regard to implementation.

In conclusion, we and our association think the municipal sector in general is cautiously positive with regard to impact of the budget on the municipal sector, with the proviso that we are still waiting for significant details regarding implementation and reserve the right to make further comments when those details become available to us.

The Chair: Thank you. We have five minutes left of the party and the questioning will begin with the Liberal Party.

Mr Kwinter: Thank you very much for your presentation. I was really impressed with the time and effort put into it.

I notice that in your pre-budget consultations you made nine recommendations, two of which were taken up. One of them was sort of a non-recommendation, "Don't do anything to us," and they did not. The other one had to do with the whole area of minimum across-the-board increases.

I notice that 25 municipalities were promised a 5% increase in the unconditional grant transfer payments, because of the equalization factors, they did not receive that amount. What is that going to do to them? How is that going to impact on those municipalities?

Mr Harrison: Our understanding is that the difficulty there is a technical one in terms of calculating the amount of the transfers and that in fact there are still some ongoing discussions between the ministry and those municipalities with regard to the appropriate calculation.

Certainly if there are municipalities that eventually do not receive a 5% increase in their unconditional transfers that will have a negative impact on their budgetary position for 1991, and certainly if they have budgeted based on the Treasurer's announcement of a 5% increase to every municipality and they do not receive that amount of money, they would be looking at the potential for a deficit.

Mr Kwinter: Another area I would like to get some comment on, if you have the ability to comment, is what is happening in various municipalities across the province. As part of this anti-recession package, there are supposed

all sorts of public works, infrastructure projects under Do you have any indication of any of them that are g place in any of your municipalities? Have you seen results of that coming into line?

Mr Harrison: I can only speak for the two municipal- where I am a member of council. Both of those mu- alities have received anti-recession money at the nal level in Haldimand-Norfolk region. In both areas s transportation, it was roads money that we received f the anti-recession package. At the regional level it ed us to do a moderate amount of extra paving work ould not have been able to do otherwise with our al transportation allocation.

rankly, the amount of money received by my town- out of anti-recession funds was approximately ,000, which was a nice chunk of money, but it came hat I thought personally to be a very strange form in s of a grant to the municipality to allow us to purchase d grader. I did not quite see how purchasing a road er was going to be an anti-recession item in terms of ng people to work in Ontario, particularly when we tually purchased the road grader out of Michigan.

o yes, we have received some money; yes, it is helping e places. Some of the administration of it has been a strange.

Mr Kwinter: To follow up on that, were these moneys received for projects you would have expected to be e in the normal course of events anyway?

Mr Harrison: Municipal roads projects are like a mless pit. Roads engineers could spend an infinite unt of money on a prioritized basis. What you do is a long list of the projects you want to do, and start at beginning and go forward and get as much done as r budget allocation is for this year, and then start there move forward in the subsequent year.

The projects would have been done anyway, yes, but they ld have been done later than they were because the extra ey was made available to us. Some projects have been ed forward from what would have been anticipated to 1992 implementation into a 1991 implementation.

Mr Kwinter: If that money had not come forward, uld that have impacted at all on any of your staff num- s?

Mr Harrison: Again, I am just talking about my mu- pality. In terms of the projects we were able to do, my municipality hires out that work. So it did not have a direct pact on our internal staffing, but we provided more k to a contractor within our region to do more paving k than we would otherwise have been able to do.

Mr Hopcroft: That is certainly consistent with what is pening in the area of my municipality. It has enabled us accelerate some works that would not have made it on he list this year. Generally what it is doing is creating re work in the private sector among those contractors o bid on municipal capital works.

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Mr Sterling: I assume, from reading your brief and ur comments, that you are directing your brief and your

comments to how it affects your members. You have a fairly narrow focus on the budget; you are not commenting on the overall fiscal impact of that budget on your communities. Is that correct?

Mr Harrison: Yes.

Mr Sterling: In terms of your praise for northern On- tario special assistance—and I think that as a member of an eastern Ontario area and having been a long term member of not only an area within Ottawa-Carleton which seems to survive the bumps and hollows of recessionary times, but having represented the county of Grenville at one stage prior to the 1987 election, I understand they do not have the same kind of smoothness in terms of their economic outlook—do you at all try to guide or suggest to the Treas- urer that perhaps special assistance might be appropriate to other areas of the province? There seems to be a brush, which I have always had a problem with, painting northern Ontario as needing assistance, whereas I understand from some kinds of statistics that you can show certain parts of eastern Ontario, particularly outside of the Ottawa-Carle- ton area, which I no longer represent but still have a great concern with, need economic assistance perhaps even more than some of the northern communities. Do you ever attempt to try to direct the Treasurer that way?

Mr Hopcroft: In terms of some of our broader policy documents we have certainly indicated that to this govern- ment and previous governments as well, that to some ex- tent any geographic distinction is an artificial one and you should really be in the long term trying to develop a fund- ing formula that recognizes the actual need, as opposed to whether they happen to fall on one side or the other of a geographic boundary.

Mr Sterling: I think of Cornwall now, for instance, which is having an extremely difficult time and needs as- sistance very badly. I would urge AMO to try to track in some way how the economies of its member municipalities are doing so that it can help the province when it is willing to help out particular municipalities.

Mr Hopcroft: One of the great difficulties we find in trying to make those kind of assessments is that there are just so many different factors coming to play on our local economies that it is extremely difficult to pinpoint any one particular issue. There is free trade, there is cross-border shopping, there are a number of other structural issues in terms of the manufacturing sector, and to pin it on just one is difficult from the resource aspect.

Mr Sterling: I realize that, but household incomes and unemployment figures I think are key to the ability of a municipality, and I think that is really the way provincial governments should decide on extra help when they are willing to give it.

Mr Harrison: Can I speak frankly to that question? We have approached the Ministry of Municipal Affairs to do a project of finding some objective way to quantify the economic stability of particular municipalities in order to target unconditional transfer payments. So we do have a project ongoing to attempt to put that in place. We are having a significant problem with collection of the appropriate data, but we are still working on that with the province.

Mr Sterling: The other part is that you asked the province to pick up 100% of the welfare system, and I understand the reasoning for that. One of the problems I have with that is that I think probably regional governments, county governments, are best able to run the system. How do you go to 100% financing and then permit another part of government to run the system, or are you suggesting the province run the whole system and just leave the municipalities out?

Mr Harrison: Our recommendation has been that the province, if you will, farm the administration of the system out to local municipalities, by which I mean upper-tier municipalities, regions and counties, on a fee-for-service basis, that they reimburse us the cost of administration on a fee-for-service basis, allow us to continue to operate the system on a local level but on a fee-for-service basis. That would give municipalities that did not want to do that, and I do not think there would be very many of them, the opportunity to opt out of that, in which case the province would have to administer the system provincially in those areas.

There is already half the system that is administered provincially; the family benefits system is administered provincially. I think what we would like to do is stick the administration of those two systems together and then, as I say, probably farm that out to counties and regions to administer on a fee-for-service basis.

Mr Sterling: Then would the county council or the regional council have any say as to what was going on?

Mr Harrison: Under that system there would be certainly a county or regional council say. I would assume that the province would establish minimum levels of administration and then there would be a number of other things that the county or region could do to top those levels up.

The Chair: Thank you, Mr Sterling. It is time for the New Democratic Party.

Mr Christopherson: John, Grant, good to see you both again. It is always nice to see my former colleagues from the municipal governments coming forward. I appreciate the words you had to say and I think your document is very fair and very balanced.

I would like to ask you specifically what the impact would have been on municipalities in terms of services provided vis-à-vis cutbacks or property tax increases that would have been necessary had the provincial government not been forthcoming with the funding it did for our transfer partners, particularly the municipalities. And no games; I ask that in the context of the amount of heat the provincial government has taken from some quarters with regard to the deficit. As an entity that was one of the priorities we were recognizing in structuring the budget and which in many ways drove the deficit, although it was not just municipalities, I think your answer would be very important to these hearings.

Mr Hopcroft: Clearly, if we had been faced with the situation we had, for instance, in previous years where the transfers, particularly the unconditional transfers, were constrained, we would have seen either significant cutbacks or much higher tax increases in property taxes for 1991. I know that getting an inflationary increase did have

a neutral impact in terms of municipalities trying to budget based on previous years' activities. If it had not gone up at that rate, there would have been a great deal more anger than we already had at the municipal level in trying to balance our budgets this year. As you know, a number of us had difficulty at any rate, given the economic activity slowing down, given the number of our constituents who are facing employment difficulties and so on, so the fact that we got the inflationary increase that we had requested made our job easier this year.

Mr Christopherson: Maybe when John responds, because I see him eager to jump in too, could we get some specifics? I know you cannot judge for each municipality but what sort of things would have to be looked at by council in terms of cutbacks?

Mr Harrison: You have played the game, David; you know how it works. Frankly, my feeling is that most municipalities this year, particularly upper-tier municipalities that were dealing with the welfare increases, dealt with the budgetary problems this year by dipping into reserves. There were significant cutbacks in a lot of places, but I do not know anybody—Grant may disagree with me—who did not when the final decision came, look at dipping into reserves.

Frankly, that is going to leave us in a terrible position for next year. I am going to run for council again in the fall, but I have sometimes wondered whether I actually want to win in terms of the problems municipalities are going to have at budget time next year. We have cut fat, we have cut some of the muscle, and many of us have put ourselves in a position where we are not going to have the options next year in terms of cushioning the blow with the reserves we had put together in prior years.

0940

Mr Hopcroft: I would certainly agree with what John said in terms of the ongoing demands that the welfare system is placing on our municipal budgets. London's did not go up at the rate of 100%, but we have seen over the years, 100% over our 1989 levels, so that has had a significant impact. We have found we have had to cut back services in a number of areas. We had talk of closing library branches, closing recreational facilities for certain periods of time, and we are simply not going to have the same flexibility next year as we did this year unless there is some structural change to the way social services are delivered and, more particularly, funded.

Mr B. Ward: During this budget, our government made the decision to battle the recession, and part of that battle was to attempt to provide as much job creation as possible. Part of that job creation was through grants, whether it was through transportation, whether through the Ministry of the Environment or through the program for renewal, improvement, development and economic revitalization to municipalities, and I think I heard you say that a majority of the work for those programs would have been completed by the private sector. I used to be on city council in Brantford and I know we do not do much of that construction in-house. Primarily it is let out in tender to the private sector receives the benefits. In your experience, AMO, is that common throughout Ontario, that prima-

ivate sector would be doing the construction work allowable under these grants through our attempts to the recession, over and above what normally would been given? Is that a fair comment?

Mr Hopcroft: Certainly based on my local experience area surrounding my municipality, that is the case. If want an anti-recessionary impact, putting it into those of capital works that are tendered out to the private is a great way to do it.

Mr B. Ward: I think it has been a position of AMO site a few years that our infrastructure in Ontario, as as throughout Canada, through the Federation of Can Municipalities, is badly in need of attention. We ne three-tier funding system that was agreeable at the) and FCM levels. So you think that this was a proper for our government to pay attention to during these times.

Mr Harrison: As I have said, every little bit helps. If re talking about job creation in the municipal sector, is at least as good a place to put it as any, if not better most. With regard to Mr Ward's earlier question, there places where it is done in-house rather than by the te sector. My experience is that in a lot of the more areas where there is not a major urban centre, there not be the construction firms available locally to do type of work, and in that type of area you often see the r-tier government, the county, with a significant con- tion component in its roads department. In that case, than going out to the private sector, the money prob- would have been used by the county to hire the neces- help to do the construction work in-house.

Mr B. Ward: And one last question—

The Chair: No, I am sorry, there is no time left. nk you very much for your presentation this morning.

Mr Harrison: Mr Chairman, I wonder if I could take minute of the committee's time just to take my AMO off for a very brief moment and make it very clear that n not speaking on behalf of my association but on alf of my municipality. I am very pleased to see Mr ison and Mr Sutherland on your committee, and I see you have Mr Gillies coming in to speak to you later Just let me say that from the heart of the tobacco ntry in southwestern Ontario, my municipality very ngly feels that if the upper tiers of government in this ntry are going to continue to put confiscatory taxation tobacco products and, as it appears, attempt to eliminate domestic industry, then surely you have to find some y to compensate our farmers.

Mr Kwinter: Listen, I have the greatest solution. The a was to pick the farmers who are growing tobacco and e them fish farm, and when they get finished, they uld have smoked fish, which ain't bad.

Mr Harrison: Many of us are already doing that.

The Chair: Unfortunately, as the Chairman, I cannot nment on that, but I thank you for your added com- ents and for coming and sharing with us this morning.

LABOURERS' INTERNATIONAL UNION OF NORTH AMERICA ONTARIO PROVINCIAL DISTRICT COUNCIL

The Chair: Our next deputation is from the Labourers' International Union of North America, provin- cial council, Dan McCarthy, in-house counsel.

Our format will continue to be a half-hour presentation. The amount of time you take for your presentation will be subtracted from that half-hour and divided among the par- ties equally for questions. The party that will begin the next round of questions at that moment will be the Pro- gressive Conservative Party.

Mr McCarthy: Good morning. My name is Daniel McCarthy and I am speaking on behalf of the Ontario provincial district council of the Labourers' International Union of North America. I am in-house counsel with Local 183 of the labourers' union here in Toronto, and we are the largest construction local in North America. The labourers across the province appreciate this opportunity to express our views on the provincial budget.

First, I would like to place our comments in context. The major factor for us, of course, is the severe recession. This is the worst recession Ontario has experienced since the 1930s, and from a construction point of view, it has been devastat- ing. In what should be our peak season, one half to two thirds of our members are unemployed or underemployed.

I spoke yesterday with the person who runs our hiring hall, and of our 12,000 members in Local 183, we are down to—they have just gone out of province; they have returned to other places, to the Maritimes or west—ap- proximately 4,000 are out of work, at least a third in To- ronto, and that has picked up in the last month. We are still a third unemployed. Those who have been unable to find work have exhausted their unemployment insurance bene- fits, and this winter when the regular seasonal layoffs occur, many will not qualify for unemployment insurance.

In addition, the major industrial restructuring occurring simultaneously with the downturn in the economy has im- plications beyond the manufacturing sector. It directly af- fects construction. One needs only to look at the housing market and the fact that the government has less money to maintain and improve the infrastructure. I would suggest that the housing market is often the weather-vane of the construction industry.

The federal policies also are a part of the context. The major cutbacks instituted by the Mulroney government have increased provincial responsibilities for the public good and decreased its financial ability to meet these responsi- bilities. I should reiterate that this is a made-in-Canada recession, as we have all heard, that high interest rates and the high dollar caused the recession to hit Canada first.

The federal government has chosen to focus its atten- tion upon the deficit. The deficit is a convenient abstract set of numbers. It shifts the eye away from the plight and suffering of everyday Canadians.

I propose to examine one particular piece of federal legislation, the recent changes to the Unemployment Insur- ance Act, to show its pernicious effect upon social assis- tance and our members. I am speaking from experience. I am director of the social services department of Local 183

and, as a service to our largely non-English-speaking membership, we complete their UI applications or, increasingly, advise them they do not qualify.

0950

The usual objections to the changes in the UI have been the increases recently that employers and employees must pay, and a lot of focus in the press has been given to the lack of training which was supposed to accompany these changes in the diversification of the funds.

But there is an impact that was in the act that I do not think anybody has spotted, and I have not seen it in the press or any other form of reporting, and that is that the Unemployment Insurance Act was drafted with the unacknowledged assumption that recessions never occur. It was constructed to be responsive to a degree of unemployment in a particular geographical area and anticipated that the degree of unemployment would be relatively stable in that area. The higher the unemployment, the lower the number of weeks for eligibility and the greater the number of weeks of benefit. For example, when unemployment is under 6%, the eligibility requirement is 20 weeks; the benefit period is 17 weeks. When unemployment is over 10% to 11%, the number of weeks for eligibility is 15 and the number of weeks of benefits is 30. At the beginning of the recession, the figure in Toronto was just over 6% and required 20 weeks to qualify.

At the beginning of the recession, where the eligibility period is at its longest and the benefit period is its shortest, the first people to be laid off when the recession occurs are the most recently hired. Therefore, the workers who are laid off at the beginning of the recession have the least number of weeks worked and will receive the shortest number of weeks of benefits, whereas the workers who are laid off at the worst point in the recession will have the greatest number of weeks of eligibility and will receive the greatest number of weeks of benefits.

This means that when the recession continues to be at its worst, those people who were laid off first are having their benefits expire. The chance of obtaining a job at that point is minimal. Thus they are forced to go on social assistance, whereas the workers with the greatest number of weeks of eligibility who are laid off much later will have weeks in excess of benefits when they will not need them because the economy will recover.

We are now advising our members on how to apply for welfare. We field desperate calls from members who are losing their homes. This places an enormous burden upon social assistance by people who previously never required it. One must realize too that I am speaking for a construction union that is largely seasonal and that having enough weeks of eligibility is a standard way of riding through the off-season.

Therefore, we are very pleased that the provincial budget addresses these issues abandoned by the federal government. Given the reality of the recession and federal government policies and their effects upon construction workers, we agree that the government had to fight the recession in its budget. The NDP had to make a responsible choice that best addressed the interests of all Ontarians. We are quite

pleased that the NDP did not abandon its responsibility to working people, their families and their communities.

In commenting on the budget itself in this context though we will be focusing our comments narrowly upon budget initiatives which most affect construction workers, does not mean that we do not applaud the government's efforts to address the needs and interests of low-income earners, native Canadians, women and visible minorities.

The development of another 10,000 non-profit housing units has a tremendous and positive effect on the construction industry. Building statistics indicate that, for every slightly over two jobs are created. In addition, one must see the initiatives in housing as having a ripple effect on the economy. It creates a demand for building materials for construction of roads, sewers, watermain, etc. Our members are already benefiting from this measure. It is a bright spot in an otherwise dull housing market.

We also agree that by putting spending power in the hands of the public by not imposing the provincial sales tax on the GST, \$470 million will be available for consumer spend in 1991. This kind of economic stimulus, when coupled with the sustaining and creating of 70,000 jobs and an aggressive anti-recession effort, instils confidence in the private sector. It acts as a catalyst for further investment and helps to level out the worst of the effects of the recession on construction.

Specifically, as you heard from the previous speaker and the municipalities, part of the anti-recession package is road work. This has been of great assistance to our union.

The NDP budget speaks of long-range, sustainable prosperity. The construction industry has long been vulnerable to the boom-and-bust cyclical nature of the economy. This effort to commence long-range planning in which the government can intervene to reduce the effects of a recession will be most advantageous for construction workers in Ontario. We hope that one appreciates sustainable prosperity as a truly important part of this budget.

It was only two years ago that we could not supply enough construction workers for the construction that was going on in the province. The size of the union was expanding. It was not a case of trying to police the various construction sites for non-union members, because we could not supply enough people. A short 18 months later we have an enormous surplus and we cannot take on any body new.

We are not suggesting that it is the duty of the government to recklessly try to spend its way out of a recession. In fact, we agree that the deficit is modest, especially when one considers the pessimistic figures utilized in projecting the ongoing deficit over the coming years. As you know and have no doubt heard in other presentations, most of the deficit comes from the financial reality of the recession: falling revenues, increasing costs in health care, social services and education.

If one considers the Ontario deficit comparatively in terms of total spending, gross domestic product and in per capita terms with other provinces and with the federal government under Conservative governments, the present deficit fares well.

The reaction to the budget overall I would say has been good, even at a corporate level. It has been lauded by Kenneth Galbraith for reviving the economy and acknowledging the role of government as guardian of the public being. The Toronto-Dominion Bank expressed added support for the Ontario budget and acknowledged cautious projections for economic growth compared to those of other forecasters. Should the growth be stronger, the budget would be reduced dramatically and quickly.

I am sure everyone has heard the Conference Board of Canada's description of the budget as a confidence booster. I heard here before you today from the construction industry, in particular from the labourers—we hope the view we hear is the view of working people. Our people are hurting. Unemployment is high. Every government initiative focusing on housing, in maintaining and improving the infrastructure and in maintaining the social welfare net and providing health care and education is welcomed.

For many construction workers, the budget has already translated into jobs. We hope the members of the standing committee measure the budget not by abstract numbers, but that they put a human face on the consequences and human tragedies of the recession. Our members appreciate a budget which attacks the recession, the cause of our suffering.

In conclusion, we would like to thank the government of Ontario for allowing us to present our view on the economic situation at this public hearing. In conversations with our members, it is clear they know that the recession is their enemy. They complain about the boom-and-bust cycles. They would like steady work, sustainable prosperity. They want an economy which is highly productive and environmentally sustainable. In our opinion this budget has made a proper and reasonable choice. We applaud the government for making the decision to attack the recession.

We recommend that the government stay its course. By providing a reasonable amount of stimulus in the recession and holding the line on spending during the boom periods, we can provide Ontarians, and in particular construction workers, with a more stable existence.

The Chair: Thank you. We have 15 minutes, five minutes for each party, beginning with the Progressive Conservative Party.

Mr Sterling: Thank you very much for coming in front of our committee, Mr McCarthy.

On page 6 you indicate, "The Conference Board of Canada described the budget as a confidence booster and stated that only \$640 million of the \$9.7 billion deficit consists of new spending." You are quite certain that the conference board has stated that, is that correct? I know Mr Frank has talked about this as an individual, but he made it quite clear that he was not speaking on behalf of the conference board. I know you are a counsel and you would not mislead us intentionally in terms of what you are saying.

Mr McCarthy: I was quoting Mr Frank.

Mr Sterling: Okay. Mr Frank was speaking as an individual, as I understand it. We are having this conference

board mixed up with Jim Frank on a number of occasions in front of this committee, and I think it is important that we get that distinction straight. If I am incorrect, if somebody wants to give me some kind of knowledge of which I am not aware—

Mr Sutherland: We will correct you if you are incorrect.

Mr Sterling: I would appreciate that.

Mr B. Ward: Just for clarification, what is Jim Frank's position? What does he do?

Mr Sterling: He is their senior economist.

Mr B. Ward: For the Conference Board of Canada.

Mr Sterling: But he made it quite clear that he was speaking as an individual.

Mr B. Ward: In that opinion column, right? Was it not an opinion column or something?

Mr Sterling: No, it was just to the press, I believe.

Mr McCarthy: It was an article, I believe, in the summer issue of the Canadian Business Review. So I rephrase my comments to say, "Mr Frank of the Conference Board of Canada."

Mr Sterling: Good enough. Yesterday we had in front of this committee a group of workers—perhaps part of your union; I am not certain. I believe they were from Hamilton, so they would probably not be members of your labour local. But they were very, very concerned, not with the budget, but with Bill 4 and the rent review legislation.

What are your views of that legislation? Do you think it has had any impact in terms of the amount of work your people have been able to get?

Mr McCarthy: We do work in that sector. Our position, and it is a position we have made clear to Mr Cooke, is that reasonable costs—and by "reasonable costs" we mean those that would affect the integrity of the building—for example, it is my understanding from speaking with others in the union that a lot of the concrete used in the structure of basements, especially in the 1950s and 1960s, was not as resistant to salt. Our position is that those kinds of costs should be passed on, because if you do not address those in the short term, you are going to take all that housing off the market.

Specifically answering your question, we can live with that compromise in terms of the jobs it will provide. We do not feel the compromise will take away or restrict the number of jobs we get. It may put them out over a longer period of time so that there will not be a mass of renovations all at once, but it will provide steady employment for our members.

Mr Sterling: We have heard from a number of people who are obviously members of the same unions that you are associated with who disagree, but that may be your official position.

In the Ottawa area, which I represent, we have a problem which has been there for some period of time, in that Quebec legislation prevents Ontario workers from crossing over the provincial boundary and having the same status as workers who reside in the area where a contract is being undertaken.

Has your council been attempting to deal with that issue? In effect, what it says is that if there is job in Hull, a resident of Hull has first chance at that job. However, when a Quebec worker comes across to Ontario, there is no distinction between him and a person who might live in Ottawa, if the job is in Ottawa. It causes a great deal of feeling in construction workers of unfairness. Is there any attempt to deal with that issue?

Mr McCarthy: I am aware of the unfairness. Unfortunately, they go a lot farther west than simply crossing over into the Ottawa area.

Mr Sterling: That is where I am familiar with.

Mr McCarthy: My understanding is that our union is addressing it through the provincial building trades council, which is taking action on that. My understanding is that they will be addressing this standing committee at a later date, so they would perhaps be the better organization to address that question.

Mr Sterling: Okay. I think it is an important issue and I urge you to do a lot of work in that area.

Mr Jamison: Thank you for your presentation. I found it very interesting. I would just like to touch on something with you. You seem to recognize in your presentation that there was a major deficit and a limit in new spending. That message has not really got out to the public the way it should, because opposition parties, and one party in particular, would be saying, "Cut back, cut back, cut back," in many different areas. That has been the point of view, especially from the third party.

It is interesting to hear you say that the added spending in this budget, especially the anti-recession and housing programs that are being put forward, have really been a stimulus to your organization as far as providing ongoing employment through a tough time, although your employment is still down, I understand.

Without that input, without that boost—could you describe to me what position you would be in without the housing starts, without the anti-recession money for roads and construction and so forth?

Mr McCarthy: In the month of May, which is normally a month or a month and a half into the buildup of the construction season, Local 183 was approximately 70% unemployed. Some people were estimating higher, but I think a conservative estimate was that 70% of our members were unemployed. In the two subsequent months we have reversed that, so close to 65% or 66% of our members are employed. The only thing that is really happening in the housing market is the not-for-profit, the co-op.

In terms of the other anti-recession measures, the transportation has had a really good effect for our members. A lot of road crews are building. A lot of private contractors are going again. We are getting calls into the hall.

I am not an economist, but I am attributing the reversal from 70% unemployed to close to 70% employed to those initiatives. I would consider that we would have kept on at the same high, high rate of unemployment had it not been for the initiatives.

Mr Jamison: You talked about the cyclical approach to housing and to construction in general. What you and

the people you represent are looking for, and you have said again in your document and echoed the government's position, of course, is to try to find that sustainable prosperity.

In times that are difficult, I appreciate hearing that feel it is important for the government to play a role ensuring where possible that employment is helped that employment rates are kept up, but in doing all this have provided the groundwork for what we consider coming out of the recession earlier, and also building that infrastructure. Do you feel the same about that?

1010

Mr McCarthy: I think the building of the infrastructure is critical to construction workers in terms of employment. To use the subway as an example, we tend to build a lot of stops at once and then do not build anything for years. It would seem to me that if construction that is largely publicly financed, such as a subway, was at a very low level during the boom period as opposed to booming with private development, then in a recession instead of building one stop a year, three stops could be built, but we would maintain a lower level of infrastructure work during the boom periods. That is the kind of thing I was getting at. Those are the kinds of things I think you are indicating and we are saying, yes, that is important.

Mr Kwinter: Mr McCarthy, what is the relationship of the Labourers' International Union of North America with you? Say, a union like Local 27 of the carpenters and joiners. Do you have any relationship?

Mr McCarthy: Very peaceful.

Mr Kwinter: But do you have any kind of relationship with them at all?

Mr McCarthy: We just have an agreement as to jurisdiction, who does what in the various industries.

Mr Kwinter: So you are familiar with that particular local.

Mr McCarthy: Yes, very familiar.

Mr Kwinter: I have met them. It is my understanding that they represent carpenters and joiners virtually around the Golden Horseshoe, the industrial heartland of Ontario.

Mr McCarthy: I think District 8 of the Ontario Labour Relations Board is pretty much that.

Mr Sterling: How many are in Local 183?

Mr McCarthy: Right now about 12,000.

Mr Kwinter: What I find surprising is that I met with them, I met with all their executives, I toured their facilities up in North York on Signet Drive—this was just a few weeks ago—and they were absolutely despondent, saying that not only were their workers not working, but that they saw nothing on the horizon, which is really upsetting them. They said, "If anybody is going to work in the construction business, it's going to be the carpenters and joiners." They have to set the forms. They have to have those guys do whatever matter what they do.

They have an apprenticeship program and they say there are people in there, but that they are only in there because they have no work, so they feel they might as well upgrade their skills while they are waiting to get some

These are people who are allies of yours. They have reason to tell me something that is not so. They were saying that they see absolutely nothing on the horizon, that there have been no benefits at all to them in the way of public works or government seed money to get their people going. What I do not understand—I am not being critical; I would like to understand it—is why are they telling me that when you are telling me that you have switched it from unemployment to 60% employment in your sector?

Mr McCarthy: The answer, I think, is very simple. Carpenters are a specific trade. The labourers are a much broader organization. We do sewers and watermains. We do landscaping. We even have a bit of an industrial sector. We do all road construction, whereas carpenters, as you say, do carpentry. We have some carpenters who do rough form work and roughing in housing and certainly they are still hurting, because there is no private development of housing, so one sector of our union that is doing very poorly is the house building sector. We have over 600 members who work in that and there is very high unemployment in that sector.

I think the answer to your question is that the labourers have a much broader membership and a much broader area of jurisdiction, where carpenters, like ironworkers or electricians, have a specific trade. If things are booming in that specific trade, then they do well. We are responding to initiatives in roadbuilding from the Ministry of Transportation in a way that carpenters cannot, so some of our members are getting work, but one of our sectors that is doing poorly is private housing.

Mrs Sullivan: I recall your union appearing before the standing committee on resources development on Bill 162, making some substantial contributions to that debate. I am very interested in your analysis that this budget has been slanted into jobs already, because I frankly do not see capital investment at the municipal level in water and sewerage. In fact, in this budget there is no increase over the previous year for water and sewerage, and a real opportunity to lever more capital investment in those areas through the water and sewer corp has been set aside.

I also do not see, from the private sector, the stimulus out of this budget for new capital investment in infrastructure, whether it is building new plant or whether it is expansion of plant or whatever, where some of your people would be affected. Ten thousand units of public housing, or non-profit and co-op, over a period of time is not going to provide sustained work for your members who are involved in the home building sector.

I just do not see why you are so positive about the long-term stimulus that this budget provides. It seems to me that it is not there. Short-term job creation was done through projects that were already on the table at the municipalities, already moving forward.

Mr Christopherson: No.

Mrs Sullivan: Darn right they were.

Mr Christopherson: No, darn right they were not.

Mrs Sullivan: Certainly they were. The municipalities had those projects ready and available to go.

Mr Christopherson: That is not moving along.

Mrs Sullivan: They are over very quickly, and your people will feel the brunt of that.

Mr McCarthy: I am on the board of directors of the Local 183 non-profit housing. Since the recession has occurred—before, there were many allocations given, as you know, for non-profit housing, but no land in the city was available. We are currently sponsoring a 221-unit building at Duncan Mill Road and Don Mills Road that will be a co-op. Right beside it the operating engineers are sponsoring a 220-unit non-profit building.

The developer who owned that land had already paid all the architectural fees and had gone through the Ontario Municipal Board and had all the drawings for luxury condos overlooking this conservation area. Suddenly the market is not there for condos. They turned to non-profit and said: "You have the allocations. Let's get together. We will give you this land." We have also had feelers for a sizeable chunk of property in Mississauga, in two different sites in Mississauga.

I think what is happening, and I know that other unions are doing the same thing, is that on the non-profit front for the allocations we had we are suddenly getting offers of land from developers who can no longer afford to hang on to it, or the market will not bear building more condos they had already planned.

Mrs Sullivan: I understand that. It has happened in my community as well.

Mr McCarthy: What I am saying is that these kinds of things are providing—you are right that it is short term, but take a look at what it means to the builder who is now getting 400-plus units built on land that was costing him money and is making a profit at it.

Mr Sutherland: Mr Chairman, just before Mr McCarthy leaves, I have a copy here of the article by Mr Frank. It is called "Frank Talk on the Economy". It appeared in Canadian Business Review, the summer edition. He is highlighted as James G. Frank, vice-president and chief economist, Conference Board of Canada. It also talks about an analysis from the chief economist, and the text is also available on-line from the Conference Board On-Line Service. I think Mr McCarthy's assertion that he was speaking on behalf of the Conference Board of Canada would seem pretty valid by the way this article has been written and how he is identified that way in several ways.

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Mr Sterling: Mr Chairman, I raised the point. I think the conclusion you might draw is—first of all, it is all written in the first person, saying "I believe," etc. There is no statement in the article that the Conference Board of Canada believes the views of Mr Frank.

The Chair: Could I offer a suggestion here.

Mr Sterling: I think it is very important. It is in other papers. I have seen the article.

The Chair: We should phone The Conference Board of Canada and have this clarified later.

Mr Sterling: I think that is a good idea.

Mr Jamison: The truth hurts sometimes.

Mr B. Ward: Before Mr McCarthy leaves, this is kind of off the topic, but I would like to commend Local 183 for the leadership it is showing in retraining and providing skills development for its workers as well as other services. I think they are very progressive.

Mr McCarthy: I appreciate that.

ONTARIO ASSOCIATION OF INTERVAL AND TRANSITION HOUSES

The Chair: Our next presentation is by the Ontario Association of Interval and Transition Houses: Lisa Duggan, vice-president; Trudy Don, executive co-ordinator. We have half an hour. Since you have been here a while, you know the process. The Liberals will lead off on the questions at the end of your presentation.

Ms Duggan: My name is Lisa Duggan and I am vice-president of lobby of the Ontario Association of Interval and Transition Houses.

During the 1990 Ontario election campaign, the NDP developed An Agenda for People, which incorporated into the policy platform many of the demands and needs that people identified and reiterated time and time again to the previous Progressive Conservative and Liberal governments of Ontario. This agenda promised to bring improved changes and renewed hope to the lives of the average citizen.

Clearly, promises and policies need to be secured with finances, and in a period that is being described as a recession, we are told that fiscal realities impact the decision-making abilities of government.

The Ontario Association of Interval and Transition Houses, which is an 82-member provincial organization working to improve the lives of abused women and their children, would like to commend the NDP government on its courageous stand to allow for a greater deficit in the 1991-92 budget.

During tough economic times we believe it is imperative that spending on social programs be increased, not reduced. We are pleased that the NDP government decided to pay less heed to the warnings of doom echoed by the federal government, big business and the corporate world. However, we would like to express some concerns about the budget and the gaps that exist which affect the lives of abused women and their children.

OAITH, shelter workers and abused women recognize and fully understand the fiscal realities of recessionary and non-recessionary times. We have listened to and experienced at first hand the promises made to us by government and then the rationale used to limit spending on those promises on the issue of violence against women.

On January 22, 1991, OAITH presented to this committee a brief overview of the funding history of interval and transition houses, including the recommendations of the standing committee on social development in 1982, the implementation of bail-out and stabilization funding in 1985, the Brian Lowe review of shelter funding in 1986, the five-year initiatives announcement in 1986, the draft of the Ministry of Community and Social Services funding formula and the subsequent development of OAITH's alternative funding formula. For the details of that presenta-

tion, we would refer you back to Hansard, and of course we would be prepared to restate our concerns.

We mention it today to remind you that the standing committee on finance and economic affairs, in recommendation 53 of the 1991 pre-budget consultation report, stated, "The funding formula for interval and transition houses should be reviewed with an attempt to instigate block funding in 1991-92."

OAITH was pleased to see your recommendation that we believed that future changes in funding for shelters could be possible with the 1991-92 budget of the new government. Our hopes were raised further as pre-budget consultations with MCSS, regarding the latest version of the funding formula for shelters, were cancelled until after the budget had been announced. We were told that substantial changes were being considered in this year's funding for shelters. We could only assume from these events, clearly naïvely, that the 1991-92 budget would incorporate funding arrangements that would recognize all the services provided by interval and transition houses.

Block funding for all shelter services has been consistently supported and proposed, in the reports mentioned earlier, for the last 10 years. However, the direction of policy through MCSS policy and practice and the 1991 budget announcement still focuses on the same inadequate and insecure funding models. In our 1990 November lobby of the members of provincial Parliament, and in our pre-budget presentations to this committee and to the executive assistants to the ministers—most ministers have been inaccessible to OAITH; that is why we met with the executive assistants to the ministers—we pointed out that shelters continue to struggle to provide adequate and consistent services.

One in four women in Canada are being abused by their partners and, as public education supports women's rights to obtain assistance and live a life free from violence, demands on shelter services are diversifying and increasing. The detailed announcement in May of \$12 million new dollars was welcomed by our organization, but the demands identified and reiterated by assaulted women and their advocates continue to be unrecognized financially by the government. MCSS has still not rescheduled a meeting with OAITH to discuss the funding formula. Funding for ongoing shelter services is falling far behind the demands for service. Shelters are at a breaking point.

Several municipalities are still refusing to recognize the provincially recommended level of per diem funding and some shelters are still being forced to limit the length of stays and charge user fees. Approved ministry staff ratios are low and shelter workers have to work long hours and many hours of overtime to consistently meet the needs of abused women and their children.

When it was announced that pay equity would be implemented in the 1991-92 budget, we expected shelter workers could finally look forward to equitable wages, rather than the present average of slightly over \$25,000 per year with very few benefits. We were deeply disappointed.

When the new budget was announced we did not criticize the increase in the deficit, as we recognized the increased social needs of everyone in a period of recession. OAITH

zes that the responsibility of government to financially everyone's demands is a thankless and difficult task, we were glad to hear of the expanded commitment to address the issues of wife assault and sexual violence. However, the gap is widening between the services shelter provide and the public commitment to services for assaulted women, as well as between the problems public policy has identified and the actual changing needs of abused women.

Women's lives continue to hang in the balance while government decides if their issue is a priority that should be adequately funded. The assault of women is a human rights issue and money is needed to protect women and give them back their freedom, not study the problem. OAITH has been told repeatedly that funds are limited, but when we hear of new projects being funded, for example, the Hamilton mediation project through the Attorney General's office, the ongoing consultations that lack meaningful action, and a hostel review which will look at hostels funded under the hostel agreement of the General Welfare Assistance Act, which we fear may not recognize existing inappropriate funding approach, it is difficult to embrace the new budget with enthusiasm. So we are not today not to criticize the deficit, but rather to criticize the lack of response to the stated demands of abused women and their children. Action is long overdue.

The following is only a partial list of the immediate needs that require funding: the financial recognition of all services provided by interval and transition houses as identified in OAITH's alternate funding formula; the removal of services for assaulted women and their children from the GWA Act; the development of new legislated funding for services for assaulted women and their children which does not discriminate on the basis of eligibility criteria; the implementation of pay equity for all interval and transition house staff, based on salary levels comparable to the public service; the immediate increase of the salary levels of shelter workers to \$38,500, as stated and prorated in OAITH's alternate funding formula; the immediate increase of the provincially recognized staffing ratios in shelters to address the issue of safety for both shelter residents and staff.

We have not had time to even touch on the other areas affecting funding which address abused women's safety, for example, the criminal and family law court systems, community counselling programs, children's programs, housing, education, economic support systems and so on. For more details of this list we would refer you back to the 1990 OAITH background report which you all received in November. We thank you for this opportunity and look forward to participating in meaningful consultations and discussions about the 1992-93 budget.

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The Chair: We have seven minutes per party, beginning with the Liberal Party.

Mrs Sullivan: I appreciate this brief. It is direct, to the point and very clear. I wonder if you would expand on two areas. You have spoken a lot about the funding formula on the operating side in particular. One is the capital needs

you are facing and how they are being addressed; second-stage housing as an issue. Once again, moving back to the operating side, the specific effect you are feeling because of the lack of pay equity action. How you are seeing those needs addressed, if at all?

Ms Don: I will tackle this one, the second-stage housing issue. I take it there is a great confusion about the term "second-stage housing," what is meant by it. We did some research throughout the province and there seemed to be as many interpretations as there are such projects. They range from an old house with two or three separate apartments with common living space, etc, to multistorey apartment dwellings where there are a few apartments set aside for battered women and children who come out of a shelter. As a result, we found it very difficult to come to some common understanding of what there ought to be in place.

We did develop some recommendations of what at least we felt should be there, but as such there really has not been any common research on the best way to go. Personally, I have some concerns about racing ahead with developing second-stage housing without knowing what the ultimate goal of that is. If it is simply another place where a woman and children will be temporarily until she is uprooted again and moved into some other accommodation, then I cannot support that. If it is only for those women who need longer ongoing support and counselling, I think it is a great idea. But my fear is that because of the housing shortage and the shortage of beds within transition houses, this "second-stage housing" will simply be used as the next stopgap before the woman finds permanent housing.

Ms Duggan: In terms of pay equity, there is a lot of talk about proxy comparisons. We have concerns about proxy comparisons because, for example, they would take as a proxy comparison a man working in counselling and then they would look at the woman working in the office with him doing counselling per se and compare their two salaries, and then see the difference between those two salaries. They would up her salary to the level of his salary, and in terms of shelter workers, they are looking at the difference between her salary and his salary instead of looking at the direct comparison between shelter workers and his salary, for example. We have real concerns about that. It is also not clear what they are going to be using right now as a comparison, so there has to be more discussion around that.

But at this point, shelter workers are really underfunded in terms of their salaries, they are working long hours and a lot of overtime, and it is really unclear about what is going to be happening with pay equity. There has not been any mention in terms of the budget of shelter workers per se, and what we are asking for is real comparisons to public service and being consulted, identifying what those comparisons should be. But we do not support a proxy comparison because it does not bring shelter workers' salaries up to an adequate level.

In terms of capital needs and how they are being addressed, I pulled out the announcements. In terms of the breakdown of the announcement out of the new budget, we are not clear exactly how it is going to be broken down further. So we have this broken down into special enhance-

ments to approve access and shelter services ongoing. The money to improve access to shelters is over \$4 million and the money for ongoing services to shelters is close to \$2 million. The demand on shelters is incredible at this point. Increasing access to shelters is really needed, but the problem is there is no money for ongoing services. You have at least double the amount for improving access to shelters, yet less than half of that is for ongoing services. It is going to really put an increased demand on shelters which we are already facing as it is.

In terms of capital needs of shelters, there are lots of services at shelters right now that are not being funded and are not recognized. That is why I keep referring back to the ultimate vision. As I said in the presentation, we still have not met with MCSS about the funding formula and the breakdowns of those moneys even further, and we have real concerns about the money shelters have right now to actually operate. I know you are talking about capital costs, but there are several costs in shelters not being funded that need to be addressed.

The Chair: Two minutes.

Mr Phillips: In terms of the demands placed on your services, is there any effect by a recession or is that irrelevant in terms of the demands? I just do not know.

Ms Duggan: There is always a question asked, "In recessionary times, do you see an increase in violence against women?" But I would like to repeat, and you have heard us in our presentations before repeat, that the root cause of violence against women is a power and control issue and it has nothing to do with stress, anger or recessionary times.

Shelters, for the past while now, have certainly been operating at full capacities, and overcapacities in many situations, and you often hear those kinds of questions about whether a recession causes an increased demand on shelters. The demand on shelters is constant. We certainly get a lot of calls and that sort of thing because, in terms of recessionary times, their partners may be home more. So women's abusive partners are around more to be more abusive towards them because they are not working. Women do not get those breaks from their partners at all and so they are there a lot more. But that does not cause the violence and certainly the demand is consistent.

Mr Phillips: What reason does the Ministry of Community and Social Services give you for not meeting with you?

Ms Duggan: They have not answered that question. We asked them at a recent meeting in Toronto where they were in terms of the funding formula and when they will be meeting with us, and that question was not answered.

Ms Don: One of the concerns voiced to me by some of our members is that because of the hearings on the budget, some of this new money that had been announced is being held up until the end of the hearings, which would also explain why a few of these new projects have been started. I have not got the answer to that, but that concern has been raised.

Ms Duggan: So I guess our question would be, are the announcements of the new budget being held up until after these hearings?

Mr Phillips: I am shocked that you cannot—speech from the throne was very much around openness and accessibility.

The Chair: Thank you, Mr Phillips, your time is up.

Mr Jackson: Lisa, Trudy, welcome again. I appreciated your brief. Although I was a little late, I tried to get here on time to catch all of it, but I have had a chance to scan it as well. I am concerned about the fact that most of the provinces in Canada currently have under review of place an adjusted funding formula to recognize the need there are a lot of provinces moving in this direction, but do not seem to be making much progress here in Ontario.

Although we have seen some improvement in staff funding rates, modest ones, they are not as great as they are in some other provinces. Can you give any reason for our relative position to other provinces may not be as good in terms of positioning on this issue?

Ms Don: I am not quite certain. I also have another organization which is the chair of the steering committee for a national organization. I am not certain that in fact in other provinces the shelter workers are being better paid. In fact, I had a report from Alberta that they think we are wondering.

Mr Jackson: I am sorry, Trudy, I did not mean simply the better payment. I know, in terms of per capita accommodation rates, other provinces have done better, or the uptake of the national program was a little better in other provinces. Recognition of the need for double staffing, after hours in evenings, I should say.

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Ms Don: The only real advantage we have found is that some other provinces have gone to block funding. My question continues to be that when I hear from other provinces that they have been able to do that under the cost-sharing agreement with CAP—which has always been the excuse have been given by the provincial government, that it cannot do it because under CAP cost-sharing you cannot have block funding which does not apply any kind of eligibility requirement. That is why, as an organization, we have been asking for some special legislation over the years.

Under the legislation, I do not know why this cannot be done under cost-sharing, but that is something I would like to find out. It is the same question I asked back in 1981, so I have not got the answer yet. But I do know, for instance, Newfoundland has gone to block funding a long time ago. Quebec, I gather, is not part of the cost-sharing system with the federal government for its welfare programs. I know Alberta has gone to some kind of block funding system. Now, British Columbia is in bad shape, but Manitoba is not doing that much better either.

I would not necessarily say we are falling behind other provinces, but I do not understand why this province has not been able to go over to some kind of legislated block funding. That I do not know.

Mr Jackson: Certainly we have indicated our support for that and we are hopeful we can stabilize and change the formula, which are the two issues, recognizing the broad base of costs, including not simply supervision of children but the psychometric requirements of some children who have the

es been the victims as well of family violence and are
 lent with the mother in an interval or transition home.
 n my own region of Halton, both Mrs Sullivan and I
 aware that we had made applications for a second tran-
 n home because of the waiting lists. I have a letter
 1 people in our transition home that says they feel they
 e been misled by the Minister of Housing, because they
 e been led to believe they should apply under one pro-
 n and then told that they were ineligible after they had
 it considerable moneys preparing for that. Are you
 ing that this has occurred in other areas within the
 vince, or is this unique to the Halton experience? They
 very angry that after a year's work, they are now back
 uare one. We are starting all over again now, going to
 fferent minister, when we were told by Mr Cooke, the
 ister of Housing, that that was the ministry to apply to.

Ms Don: It is hard for me to comment. If they origi-
 y applied under Project Haven, maybe they missed a
 dline. That was a federal CMHC proposal.

Mr Jackson: No.

Ms Duggan: That is not something we have heard
 oss the province.

Mr Jackson: Okay. I figure from your umbrella orga-
 nation you would be able to pick up on that. Maybe it is
 ue to Halton. There are some level-2 disappointments
 Hamilton and other communities that we have been
 nitoring, but certainly not a proper interval and transi-
 1 house.

The statistics you shared with a similar committee to
 two years ago were that between 10,000 and 12,000
 men are turned away. Given the increase in the last few
 rs in publicity, advertising, just exposing the criminal
 ivities of family violence and the reporting requirements,
 those demand figures still consistent? I certainly know
 are not seeing the expansion in the beds to meet any-
 ere near that, but certainly I wanted to get a sense from
 u if you are getting the same sort of demand figures.

Ms Duggan: There are certainly increasing demands
 shelters and there is never enough space for women in
 elters. I think the other things that shelters do also need to
 recognized. Specifically, I am thinking of non-residential
 elling as well. My other hat is that I work as a front-
 e shelter worker in Hamilton, and we see a real demand
 non-residential counselling in our crisis lines as well.
 I think shelters do more than just give space to women
 d their children. There is ongoing counselling, there are
 nnections to other services, advocacy, all kinds of
 ings, and there certainly is not enough space in shelters
 d also not enough money for the other services that
 elters provide.

Ms M. Ward: Thank you for your presentation. You
 ognize in your brief that public education has led to
 ore demand on your services. I would like to ask you
 hat you feel the effect would be on your client base out-
 ere if we had followed the advice of some of the opposi-
 on, the Progressive Conservative Party and some of the
 usiness figures, such as Conrad Black, I guess we could
 ame, and eliminated the deficit or held it at \$3 billion.
 What would be the effect on community services? I think

we have to recognize also that there are a lot of other
 services out there that are the front line in identifying the
 need for your services and directing people to them, where
 they are available.

Ms Duggan: Our position, as we stated earlier, is that
 we do not criticize the deficit. Actually, we would proba-
 bly say the deficit is not high enough, because there are so
 many services that shelters provide that have not been rec-
 ognized in the new announcements. We are not going to
 say you should have maintained a lower deficit. That is not
 our position. Our position is that it should have been a
 higher deficit because there are so many services that need
 to be provided for women.

In terms of education, there is a constant need for on-
 going education about these issues. Society needs to take a
 responsibility to educate everyone that this is a power and
 control issue and that things need to be done to stop this,
 because wife assault is a human rights issue. But there are
 lots of services that are not funded, and we would prefer to
 see a higher deficit.

Ms Don: If I may just add to that, I think among the
 many other issues are also social need issues such as day
 care, housing, upgrading, retraining, etc, which are all the
 issues that keep women in the position they are in and why
 they cannot get out of violent relationships.

We certainly recognize that these are all issues that
 need to be worked on. I would like to think that at least my
 grandchildren will not have to deal with transition houses.
 I know that in my lifetime it will continue to happen. If we
 do not look at all the other issues that affect the position of
 women in our society, we are going to continue to build
 new transition houses, which surely is not the answer.

Ms M. Ward: That is what I was speaking of there, of
 people's service providers in my riding. Neighbourhood
 service agencies and so on have told me that frequently
 someone comes to them looking for housing, in a housing
 registry and so on. That is not their only problem. Very
 often their need for housing is related to the violence issue.

Ms Duggan: As we mentioned in our brief, there are
 lots of issues that we did not discuss in this. I would refer
 you to our background report from the November 1990
 lobby. All of the issues are addressed in there.

Ms M. Ward: I just want to leave time for a question
 by someone else, but there was one of your recommendations
 I wanted to ask you about. In the third one, you are talking
 about "funding that does not discriminate on the basis of
 eligibility criteria." Is that related to income levels?

Ms Don: It is related to income levels; it is related
 many times to the discretion of the welfare administrator.
 In some cases it will be decided that because the woman
 has \$500 in her savings account, she is not eligible.

Ms M. Ward: Or her husband or her mate has a high
 income—

Ms Don: That is right, the husband may have a house.
 To us, to base the services for a woman whose life is in
 danger on whether she is eligible is totally ridiculous.

Mr Sutherland: Again, thanks for your presentation.
 It is very thoughtful and directly to the point. I have a very

special friend who works in one of these shelters and keeps me aware of what the problems are, and the demands, and the fact that they are constantly growing. You made reference here to the fact that you have talked to executive assistants to ministers and that most ministers have been inaccessible. You are talking specific individual meetings, are you?

Ms Duggan: Yes. After the November lobby we set up meetings with ministers of cabinet so that we could meet with them specifically, all the ministries that affect the issues of women abused by their partners: Housing, MCSS, the Attorney General, the Solicitor General, etc. They have been inaccessible. We have met with, I believe, three ministers out of many ministers who cover the issues of violence against women. So what we had to do was meet with the executive assistants prior to the budget so that we could talk about our concerns and reiterate some of our concerns, because they have been inaccessible.

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Mr Sutherland: Talking to the local people, while there is general support for the increased funding that has been announced, the question I keep getting asked is, how are we going to access that locally in terms of the distribution of the funds? I think we have heard that and a couple of the other areas, I believe, with the announcements generally in the public service about pay equity and getting their money out there. Is that what you are hearing? The money is there, but you are not sure where it is going to meet the staffing needs?

Ms Duggan: Yes, absolutely.

Mr Sutherland: In some ways, then, you are reserving judgement until you see where that goes, how it distributes, whether it goes to deal with staffing needs or other issues.

Ms Duggan: We can reserve judgement, and I will keep reiterating over and over again that there is not enough money, yes, absolutely, because we do not know what those breakdowns are in the specific areas.

Ms Don: I think that refers to my question earlier that we did not know whether in fact some of these breakdowns were not being announced until such time—

Mr Sutherland: I should say I do not think that would be a deliberate thing, to withhold the money. I do not think that is to our advantage.

Ms Don: I do not know how that works.

Mr Sutherland: I do not think it is to our advantage not to get the money out there. I think we want to get it out there as quickly as possible to help as much as possible. You are still looking for block funding, though.

Ms Don: Absolutely.

Mr Sutherland: You said you believe there are two other provinces. Newfoundland has it and Quebec, most likely, will be going to it?

Ms Don: Yes, Quebec. But I believe Quebec is under a different cost-sharing arrangement with the federal government. I do not know. Again, that is what I heard. Alberta has some kind of cost—

Mrs Sullivan: Alberta does not get CAP, does it? berta is not funding under CAP, I do not think.

Ms Don: No.

CANADIAN AUTOMOBILE ASSOCIATION ONTARIO

The Chair: Our next presentation is the Hamilton Auto Club, CAA Ontario, Catherine Newell, director of government and public affairs. If you could begin, please.

Ms Newell: Good morning. I do work at the Hamilton Auto Club, but I am here representing our 1.3 million members for all the clubs of Ontario that are affiliated with the Canadian Automobile Association. In Ontario we go under the heading of CAA Ontario for public policy purposes.

At the outset, we in CAA Ontario recognize the recession that Ontario is experiencing and the deficit the government was faced with upon assuming office. However, taxes still comprise the largest single segment of gasoline prices. For regular unleaded gasoline, the Ontario average was 17.7 cents per litre in federal tax and 15 cents per litre in provincial taxes. Combined federal and provincial revenue shares from gasoline were 59% of the pump price when the pump price was 46.7 cents per litre. These figures were prepared by Canadian oil markets and emergency planning division, EMR Energy, in its revenue distribution breakdown report for February 1991.

With the budget, as of midnight April 29 the provincial gasoline tax increased to 13 cents per litre, with a further increase to 14.7 cents per litre to take effect 1 January 1992. The wellhead share is 3.7 cents per litre, for a combined total of 16.7 cents per litre in provincial share at this time, increasing to a total of 18.4 cents per litre January 1, 1992.

The unfortunate political reality is that government regards gasoline taxation as a cash cow and ignores its responsibility to ensure that within its jurisdiction the tax burden is fairly distributed and not concentrated on a particular group. The automobile should not be viewed as a revenue producer for the purposes of contributing to the government's general coffers and should not be lumped with the "sin tax" group of alcohol, beer, wine and tobacco. However, continued increases in gasoline taxes are a punitive and an insidious attack on all those who must drive their cars because they have no viable alternative method of transportation.

There are fundamental differences in the three categories of product and they should be treated differently by the tax system. With respect to alcohol and tobacco, both are luxury items. Neither are necessary for the maintenance of a strong economy or personal wellbeing.

Prior to the budget the government had suggested that it might implement a "conservation" or "carbon" tax on gasoline. The reason for using these terms is simple. The most exalted argument for gas taxes is environmental: higher taxes will encourage people to use their cars less, thus conserving energy and the ozone layer. Sure enough the Treasurer indicated in his budget speech that he raised the price of the gas tax in the name of the environment.

This is simply not an appropriate approach to taxation of the motorist and to energy conservation. It penalizes

anyone who is required to use a car, including those for whom there is no public transit or no practical alternative. Across-the-board taxes of gasoline are regressive and violate any standard of fairness. They quickly become a burden to seniors; single parents, 85% of whom are women; the working poor, the lowest-income car users; and, indeed, a majority of middle-class Ontarians who are required to use their cars to get to work.

Gas taxes have little beneficial effect on the environment. Only if these taxes were outrageously increased could there be any real change in people's behaviour that would impact on the environment. As reported by Terence Coran in the *Globe and Mail*:

"A rule of thumb used by a Canadian oil company says that every 1% increase in the price of gasoline produces a decrease of one tenth of 1% in consumption. When Ontario's gasoline taxes rose 1.7 cents, an increase of about 3% in the price, the reduction in consumption can be expected to be 0.3%. Since Ontario consumes 34 million litres of gasoline a day, the reduction in gasoline use could mean about 100,000 litres. As a result, there might be the equivalent of 2,000 fewer fill-ups a day in Ontario as a result of the first tax increase. Environment impact: not measurable."

Approximately half the pollution generated by motor vehicles is produced by 10% of the fleet that is improperly maintained and tuned. Most, although not all, of the pollution-generating cars are older cars. New cars on the road, like those with new, cleaner and more efficient engines, generate only small fractions of the automobile pollution in the province. If the real objective is to clean up automobile emissions, and 10% of cars cause 50% of pollution, then efficiency dictates that 50% of the pollution could be sharply reduced, if not eliminated, by targeting the 10% who are responsible for it. In many cases, a simple engine tune-up could eliminate most exhaust pollution.

Instead, the government should be encouraging private sector initiatives like marketing an electric car or ensuring that government targets aimed at eliminating carbon pollutants. In this type of area regulation and enforcement, market forces work best. For example, it was regulation that produced better engines, cleaner fuels and less auto pollution, not higher taxes on gasoline.

Higher taxes on fuels, by taking money away from consumers, could in fact cause pollution if fewer new and cleaner cars are bought. Gas taxes are simply a means of raising revenues. If the government thinks it is resolving environmental problems associated with automobile emissions with this increased tax, it has not done its homework. If its object is simply to raise revenues, it is deceptive to tell the public to say it is doing so in the guise of the environment. Without the label of the environment the imposition of this additional tax would be much less acceptable to the public. Furthermore, we have an excellent example where the Liberals, when in government, imposed a tax in the guise of the environment and misled the public into thinking that the moneys raised were being used to find environmental solutions to the scrap tire dilemma.

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As of June 1, 1989, the Liberal government implemented a tire tax of \$5 per tire on all new tires sold; provincial sales tax and the GST are added for an actual cost per tire of \$5.75. The tire tax brings in an estimated \$48 million per year. To date, the revenue raised from this tax is in excess of \$100 million. However, only \$17 million has been used for scrap tire projects. When the tax was imposed the government indicated the moneys would be spent on paying for research into recycling programs and the safe disposal of tires. Unfortunately, the tax is going into general revenues and has not in fact been dedicated to finding the environmental solution for recycling and management of the safe disposal of tires. When he was Leader of the Opposition, Bob Rae said, "What's dishonest about what the Liberals did is they used the environment as an excuse to raise the tax and then failed to deal with the environmental problem."

We recommend that all tire tax revenues raised to date should be placed in a trust fund to be dedicated to scrap tire management only and the government should provide a full accounting annually. If the government fails to dedicate the tire tax to pursuing an environmental solution and fails to place the moneys already raised into a trust fund with full accountability, we would strongly urge that this tax be discontinued.

In our pre-budget consultation with the Treasurer we strongly urged the government not to increase the gas tax or place a conservation tax on the motorist. It is totally unreasonable that motorists should be confronted with an increased burden, especially when a car cannot be considered a luxury but an essential and primary component of the transportation system and a mainstay of the economy.

The considerable increases in federal and provincial gasoline taxes of recent years have had very little impact on consumption primarily as a result of the essential nature of the automobile. A recent survey indicates a tax-weary public is no longer willing to accept them. Further, increasing gasoline taxes only compound the difficulties faced by businesses in competing with their American counterparts. We indicated that recognition of the vital role of the automobile necessarily rules out the imposition of those punitive taxes on auto use.

The burden of increased gas taxes came at a time when the recession we are experiencing is being felt by all sectors of the economy and is affecting employment opportunities for many. In addition, the government will implement an amended gas guzzler tax to take effect August 1, 1991.

The Treasurer's recent change to the gas guzzler tax from the tax as originally proposed appears to be designed to simply raise revenues. Whereas the original tax would have applied to about 10% of all new vehicles in Ontario, a \$75 tax will be applied to any car that consumes between 6 and 8.9 litres per 100 kilometres, which includes 90 per cent of cars sold in Ontario. Most smaller cars, including the Honda Civic, Toyota Tercel, Chevrolet Cavalier, Plymouth Laser and Ford Festiva, fit into this category.

Though the amendments to this are seen by the Canadian Auto Workers as much less damaging to the bottom line of the auto industry in terms of how it would skewer

the sales of certain models, the government has failed to understand the environmental problem, if the intent of this tax was to reinforce an environmental message.

We feel the appropriate way to conserve fuel and ultimately protect the environment is not to impose a tax on consumers when they purchase a vehicle, but to regulate fuel efficiency standards that must be met over a period of time by the car manufacturers. The trap of market-based solutions to environmental problems is that they raise revenues and give governments more money to spend but do not solve the environmental problems.

In the CAA Ontario submission to the Royal Commission on National Passenger Transportation, the following statistics were presented: 94% of all personal travel in Ontario is done by road; it is estimated that Ontario drivers travel about 71 billion kilometres every year; virtually all trips made by other modes—plane, train, marine—are intermodal, involving some use of the road system.

Road maintenance and construction should have been given a higher priority. A significant capital commitment that will increase road capacity and improve declining arteries is absolutely critical. In order to undertake this task, there must be a workable funding mechanism which will not penalize any particular group of users. The present method of funding roads is both unfair and ineffective.

It is unfair in that users pay a far greater amount in taxes than is spent on our roads and highways. It is ineffective in that the road system is deteriorating despite these excessive taxes. A new funding mechanism must be established that distributes the cost of improvements to the system equitably among those who benefit.

For the 1990-91 year, the Ontario government collected \$2.7 billion in revenues from direct vehicle user taxes—fuel, licences, permits—and \$1.3 billion in revenues from sales tax for new and used vehicles and parts. The Ontario government will spend \$1.8 billion in road expenditures.

Truck traffic is responsible for an enormous amount of wear and tear to the surfaces of our highways throughout the province. One large truck can cause more damage to road surfaces than 29,000 cars. We encouraged the government to examine the contribution that the trucking industry is making through the province's taxation policy to the construction and maintenance of our roadway infrastructure.

Better public transit is necessary. But it is only a part of the programs and it is far too simplistic to suggest that transit alone can reduce congestion. In most Ontario cities, the principal form of public transit—the bus—travels on crowded arterial roads. Even commuter rail lines, which rely on roads as a passenger feeder system, are negatively impacted by plugged roads. There must be a balanced approach between public transit and the use of the automobile which continues to be the most favoured choice of people to transport themselves to and from work and for shopping, recreational and social activities.

Innovative steps to reduce gasoline taxes would help sustain and increase the positive impacts of the motor vehicle on our economy. These long-awaited measures would also reflect the first vital steps to tax reform. This would, in turn, send clear and positive signals to the marketplace that would lead to further economic wellbeing. We believe

strongly in the principle that gasoline taxes should be allocated to road building and reconstruction.

Another tax we feel would be absolutely inappropriate to impose would be road tolls. In the spring of 1990, federal government suggested the implementation of roads to help raise \$13 billion over the next 10 years to upgrade the national highway system. We feel this is totally unjustified as they collect \$4.5 billion annually in gasoline taxes in Canada. At the same time, they spend nothing on roads in Ontario.

We strongly urged the federal government to use the money for the upgrading program and stated that it could set aside this tax money in less than five years without putting in road tolls. This punishes motorists by making them pay twice for the same commodity, in this case, the road. If road tolls were implemented, as the major user group, motorists would have paid for this road by the gasoline taxes and, further, by road tolls. To consider such a tax would be unjust. We strongly urged the Treasurer to consider implementing toll roads.

The hub of our tourist industry has been and will continue to be automobile travel. Canada's primary foreign tourist market is the United States and the primary means of transport to our country is the private automobile. Over the quarters of all Americans who visit Canada arrive by car. Virtually 100% of all travellers use our roads and highway system during their visits.

The federal policy for the development of Canadian tourism potential, *Tourism on the Threshold*, states that two thirds of our international receipts are derived from American visitors who stay one or more nights. It states that in 1988 Canada's market share of outbound US tourists hit an all-time low. Furthermore, it states that the US market is by far our largest and even modest growth there means huge income gains for the industry. It also states that an improved highway system would be worth \$1 billion to \$17 billion to users in time saved.

The national highway policy study for the Canadian steering committee's report on phase 2 also recognized the importance of an improved roadway system for tourism and stated: "An improved national highway system would likely attract increased foreign, mainly American, tourists to travel in Canada. As well, some Canadian who might otherwise travel in the United States could be prompted to increase their travel in Canada. The impacts of increased tourism to the hospital industry could be substantial."

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Not upgrading and improving Canada's roads is one of the major deterrents to Americans who would otherwise drive to Canada as tourists. Statistics Canada reported that in 1989, the first year after free trade, Canadians made 10 million visits by car to the US, an 18% jump over the previous year. However, our American neighbours did not have the same enthusiasm about visiting Canada. Their auto visits declined by 4%, or approximately one million. This is simply an extension of the downward trend seen since 1987, just as the United States dollar premium entered into a steep decline. In terms of Canadian dollars, this made purchases in the United States significant

er-priced with each successive year, as reported in the *Travel-Log* by Statistics Canada.

In fact, during 1989 there were close to 25 million more Canadian auto visits to the US than American visits to Canada. If automobile travel is the hub of tourism in Canada, it follows that gasoline is a necessary commodity that plays a critical role in tourism.

Statistics Canada reports that the relationship between the prices of gasoline in Canada and the United States in the late 1980s was significant. In 1979, Canadian gas was actually cheaper. By 1989, the price gap was the widest of the decade. Canadian consumers paid 49.8 cents per litre of gas in 1989 compared to just 31.3 cents in the United States.

The Canadian auto traveller thus had a pressing reason to cross the border in 1989. Assuming an average fill-up for gasoline in Canada was \$20, the same volume of gasoline was costing only \$12.57 in Canadian dollars in the United States.

When gas prices have been significantly higher in Canada than in the US, Canadians have had a powerful incentive to travel in the United States and Americans have had good reason not to travel in Canada. Today Canada is in a bad place as a foreign tourist destination for Americans, and Mexico and overseas destinations, yet the federal and Ontario governments continue to practise fiscal policies that punish motorists for using an essential commodity—gasoline. Over the last few years, the disparity between Canadian and American gasoline prices has continued to grow, fuelled by our higher taxes. The solution is to reduce gasoline taxation to an equitable level which recognizes that in Canada transportation is not a luxury but a necessity that stimulates Canada's \$22-billion tourist industry.

The Chair: We have time for one question per party beginning with the New Democratic Party.

Mr B. Ward: Part of our efforts in this budget to battle the recession included a number of capital work projects, primarily focusing on one aspect, road construction, as we talked about in previous presentations. During these tough times, would your organization support the initiative to rebuild our infrastructure? As you mentioned the importance of roads have in our transportation links and system, is your organization supportive of this initiative during these tough times?

Ms Newell: Absolutely.

Mr Kwinter: I read your submission with interest and noticed there was one glaring omission. You made no comment on the whole issue of cross-border shopping and the relationship of the increase of gasoline taxes, which means higher gasoline prices. Do you have any comments on that?

Ms Newell: Certainly, as far as we are concerned, cross-border shopping is being driven by such a thing as the disparity between the gasoline prices as one issue, as I mentioned in here. It is nothing for people to drive across the border. In Hamilton, the community I come from, the statistics are coming out showing that perhaps it is much harder hit than we even begin to realize, with people thinking nothing of travelling over to the United States and filling up there because it is so much cheaper, given the gas tax difference, and doing their additional shopping as well. We feel that

the fiscal policy, where we are continually raising gas taxes as a means of raising revenues, is hurting shopping and causing people to go across the border.

The Chair: Thank you for your presentation this morning.

CO-OPERATIVE HOUSING ASSOCIATION OF ONTARIO

The Chair: Our next presentation is by Penny Bethke, president of the Co-operative Housing Association of Ontario.

Ms Bethke: I would like to thank the committee for the opportunity to talk today about the needs of Ontarians for the kind of affordable housing co-operatives can provide.

The Co-operative Housing Association of Ontario was formed four years ago to represent the interests of housing co-operatives at the provincial level. Our organization is composed of the 12 resource groups that develop co-operatives across the province, the seven co-operative housing federations that operate in various communities across the province and a staff association that is formed in Toronto at present.

There are several things in our brief I would like to draw your attention to. We were very pleased with the kinds of initiatives taken in the Treasurer's budget this year, and in particular I want to highlight three things.

The first is the new initiative for a 10,000-unit program for non-profit housing. This is the first new provincial housing initiative since the announcement of the Homes Now program in the 1988-89 budget. In addition, the government looked at ensuring that the target of 30,000 units established in the Homes Now program would be achieved in two ways. First of all, it extended the deadline for the commitment of those projects from 31 March of this year until 30 September. That would enable those projects that perhaps were having difficulty with their municipal approvals to meet the deadline of the program. In addition, for those projects that could not make even a 30 September deadline, those units were reallocated to other projects that could go ahead in that time frame.

Second, we would like to draw your attention to the fact that the increase of 39% in the budget of the Ministry of Housing, from \$549 million to \$764 million, is to accommodate the beginning of the payout of the subsidy requirements that have come as a result of the Homes Now commitments that started a couple of years ago. Generally speaking, while you may announce the units in a budget this year, you will not see an eventual impact on the provincial housing budget until subsequent years. In addition, over time, because the government subsidies draw from these programs and this bridge subsidy is repaid to the government by non-profit co-operatives, there is a way of reducing the cost over time.

We are also looking at a situation in the current recession where the production of 20,000 units of non-profit housing will represent close to 30% of all the new housing starts in Ontario. This is a unique position for us to be in, but certainly reflects the current significant impact of the recession in the housing market.

Third, the 1991-92 provincial budget provided a specific mechanism whereby the financial gains from the sale of provincial lands would be dedicated directly to the purchase of other housing sites. Previously, the proceeds from such sales or leases went into general revenues that might have gone for dealing with issues related to road construction and other infrastructure spending, but we are pleased to see that the proceeds of these sales will now more be directly applicable to affordable housing sites.

We have seen that there have been significant public benefits from these 1991 budget decisions by the extension of the Homes Now deadline, the reallocation of units and the announcement of 10,000 new units. We believe this will go a long way to dealing with the problem of renters who are paying more than 30% of their income on rent. The statistics coming out of a report the Co-operative Housing Association did jointly this year with the Ontario Non-Profit Housing Association showed that nearly a third of all Ontario renters are paying more than 30% of their income on rent, and that across Ontario we have more than 100,000 households on waiting lists for one of the various forms of non-profit housing.

The other important public benefit of the announcement of 10,000 additional new, non-profit housing units is that they will create approximately 22,000 jobs in construction and housing-related industries. As I as the executive director of the Labour Council Development Foundation am aware, currently there is an extremely high unemployment rate in the construction trades and this kind of initiative is very timely. Also, by investment in non-profit housing, there is a long-term public asset created that will continue to provide affordable housing at cost to Ontarians over time.

We believe the government will save money over time that it might have had to spend in areas such as social services and health care by dealing with people's housing problems, so that the problems of the homeless and of people exacerbated by inadequate or unaffordable housing will not result in an impact on other parts of the provincial budget.

The other important feature of these kinds of initiatives in non-profit housing, and particularly in housing co-operatives, is the supportive communities that are built across the province. We have a strong track record in communities all over Ontario, and this track record has been validated by a recent evaluation, by Canada Mortgage and Housing Corp, of the benefits of co-operative housing across the country.

Of course the timing of such initiatives is extremely important. Taking a major initiative in housing during a recession period has meant that the government has been able to take advantage of the fact that land and construction costs have been reduced during this recession. As well, lower interest rates have reduced the eventual cost to government of subsidizing the creation of this housing. The ministry also has recently taken an initiative to centralize the borrowing requirements of non-profit housing projects across the province, and this too has resulted in cost-benefit savings.

delivery network that has taken 20 years to build across the province, so we have experienced developers of non-profit housing who can go on working with the architects and representatives of the construction industry to build homes for Ontarians.

As I mentioned earlier, CHAO and the Ontario Non-Profit Housing Association completed a report this spring that concluded that 27,000 units of additional rental housing are needed immediately to raise Ontario's vacancy rate to 3%, and an additional 14,000 to 16,000 rental units will be required annually for the next 20 years to meet the needs of a growing population and changing demographic trends. The largest part of that growth is expected to take place during the next 10 years, gradually declining as we proceed into the next century. While some of our future rental housing requirements will be provided by the private sector, increasingly market forces will erode the financial viability of such housing production. The government's completion of the Homes Now program and the commitment of 10,000 additional units in this budget represent solid progress in the right direction.

If we are going to be able to respond successfully to the backlog of need as well as the future housing requirements of a rapidly changing housing market and population, new ways of developing housing will need to be found and new delivery structures built. The Ontario non-profit co-op housing sector is participating actively in the consultation initiated by the release of the Ministry of Housing's green paper, *A Housing Framework for Ontario*.

Our new but quickly maturing third sector in housing is extremely innovative. As part of its submission, CHAO will be proposing ways of reducing the supply subsidy costs for new, non-profit housing by lowering the cost with innovative mortgage instruments, such as the index-link mortgage program we use at our federal level, purchasing land at an earlier point in the development cycle when it is cheaper and generally creating a stronger co-op sector infrastructure that will allow us to operate more efficiently and more effectively.

We believe the significant expansion of the overall percentage of rental housing stock supplied by non-profit housing is inevitable. The task will be ongoing and will require the commitment of substantial amounts of public assistance. Currently the alternative is only inaction. Unfortunately, neglect is also a very costly option. In addition to the obvious human costs that can be witnessed daily in Ontario's overburdened food banks, the high price of indifference is already too evident in the human suffering that is resulting in the increased need for social assistance and medical care, and is straining other areas of the provincial budget.

The rewards for meeting the challenge are great. Non-profit housing permanently creates a stock of affordable housing. It strengthens communities and, in the case of co-operatives, offers direct control over shelter to a portion of the population that cannot afford private ownership.

The Chair: Thank you. We have approximately 15 minutes per party, beginning with the Progressive Conservative Party. Mr Stockwell.

Finally, by continuing to take major initiatives in the field of non-profit housing, the government is supporting a

Mr Stockwell: No questions.

The Chair: Now we will move to the New Democratic Party.

Mr Sutherland: I guess I just wanted to know what of direct impact you think this is going to have on the social service agencies in the upcoming year.

Ms Bethke: That is very difficult to quantify. We have to look at what kind of research could substantiate the kinds of benefits, because all we have is what is generally referred to as anecdotal evidence. We know of situations where families move into housing co-operatives and are put in a position where a member of the family is able to enter the workforce or is able to return to the workforce because of the kind of confidence he or she has built through volunteer involvement in the housing co-operative, or as he has learned, the fact that there might be day care available in the community. Those are the kinds of stories I hear all the time, but it is not a quantifiable thing.

Mr Sutherland: Would you suspect, though, that if people are living in co-op housing or non-profit housing units and their rent has been reduced to less than 30% of their income, these people generally being low-income people, other money is not likely to be saved but is going to be spent? Their money is going to stay in the economy and is going to be circulating through the economy?

Ms Bethke: I would turn the argument around. You hear people, I am sure, coming to you from the food banks and from the social service agencies who will tell you that if they could resolve the housing problem people face, they would not be seeing them at a food bank because they would have enough money left out of their disposable income to spend on food. I am not even talking about the other economic impacts; I am talking about basic needs that would be met. The same is true for social service agencies. It is a consistent theme that we in the non-profit housing sector have been hearing over the past few years, that if we could address people's problems with the affordability of their housing, much else would be resolved: family strains that result from money problems, a number of issues.

Mr Sutherland: And they are likely to spend that money in their local community, because these are not the needs of people who are doing the cross-border shopping, is that right?

Ms Bethke: I do not know that I would go that far, but I am just assuredly, low- and moderate-income people do their shopping closer to their home. I think there have been statistics about that kind of thing before.

Mr Jamison: We are here today and we are hearing from very specific groups about specific issues and interests. I would like to come back to the budget itself and how it has affected you and your organization. How significant will the amount of money that was put forward in the co-op housing area be in effecting the type of change you feel is needed in the province to provide housing at an affordable price to people? In conjunction with that question, how important do you feel that investment is at this point, during a recessionary period?

1130

Ms Bethke: There are two things, from our point of view, and I will go back to the statistics I quoted earlier. In The State of Housing in Ontario report that we did this spring, we identified that there was a backlog of need of 27,000 units. The government's current initiatives with the 10,000 units and the Homes Now units and the federal-provincial cost-shared program should go a long way to addressing the backlog. In addition, given the growth in population we expect to see, in particular in the next decade in Ontario, we will need 14,000 to 16,000 new rental units every year just to deal with that growth. So if the government is able over time to increase its commitment to a 20,000 unit per year production level for non-profit housing, that will go a long way to addressing that need for new rental housing in the province, because as we have indicated, we feel that we probably will be the key providers of new rental housing forms.

Housing is an expensive commodity to build and finance, and we use the same financial institutions and the same builders that someone building private sector rental housing does, and there is a reason no new private sector rental housing is being built. It is too expensive to build. You cannot rent it for what it costs to build. It has to be subsidized in some fashion. Given that particular situation, I do not see any other vehicle that makes sense to the government but the investment in a long-term public asset that would justify the commitment of substantial government resources at this time.

The other issue you talked about was the recession, and again, a recession creates a certain dynamic in the market that we have seen. Suddenly, land prices have fallen, for the first time in four to five years. My own organization has been offered development opportunities in communities where we could never have hoped to build non-profit housing before because we would never have been able to afford the land, or the builder who had control of the land would have been more prepared to build a condominium than he would have been prepared to build a non-profit housing project. Since condominiums are a very soft market right now, we are, as they say, the only game in town.

So we have seen a reduction in land costs; we have seen significant reduction in construction costs. My own staff were telling me about doing the tendering for the concrete foundation work for a project that was larger than a project we did 18 months ago, and the tenders have come in substantially below what we had 18 months ago. So the costs of construction are in fact being reduced somewhat during this recessionary period.

At the moment, we also have some of the lowest interest rates we have seen in the last five years. That reduces the cost both of building the housing and subsidizing the housing, which is a major concern, obviously, of the government. All of those things make this a very critical time for the government to make an intervention. They will never get more bang for their buck than they will now.

The Chair: Thank you, Mr Jamison. The Liberal Party.

Mr Phillips: Thank you for the brief. With the budget I think there has been a lot of focus on the deficit, but it is

much more than the deficit. I think many people are concerned that the revenue side of the budget for now and in the future is in some jeopardy and the economic wellbeing of the province is in some jeopardy. Others say this is a great budget for the future of the province.

I think what is going to really impact your organization is not this budget, but it is going to be the future of the economy, in two respects. One is that the demand for your services will increase if the economy does not pick up, and second, the ability to fund your projects will drop. I am interested in your organization's comments about the economic impact of this budget on the next few years. Do you think it is the right budget that will ensure your future, or are there some suggestions for improvement?

Ms Bethke: We are Ontario taxpayers too, so these are concerns we all share, and we recognize that it is important to look at the long-term future of the delivery of non-profit housing. We do not want to see a massive program for a few years where the tap would be turned off in a few years' time as the costs of the program escalate, and it is why we have been putting our collective energies to finding innovative solutions.

We know that financing these programs is one of the most expensive aspects of the program, and anything that can be done to reduce the financing costs of the program would be very helpful to the long-term future. This is why, at the federal level six years ago, we convinced the federal government to create a new mortgage instrument, an index-link mortgage that would be an inflation-sensitive instrument that might eliminate the inflation-risk premium that forms a portion of the interest rates we were paying when we borrowed money. We have, in fact, demonstrated with the government that the index-link mortgage for the federal co-operative housing program is a less expensive method for it to finance our programs than the previous type of conventional financing it was using. And they have continued that, so that is one area where we feel that, over time, we can find a way to reduce the cost to the government.

As well, we think that creating a significant stock of non-profit and co-operative housing across the province can only strengthen the co-operative and non-profit sectors.

Mr Phillips: My question was, as you look at the budget for the future of the economy of Ontario, are you saying this is the right budget that will strengthen the economy of Ontario?

Ms Bethke: Yes, we believe so. The interesting thing about building non-profit housing is that it has some significant immediate results in terms of job creation. It offers long-term benefits in terms of creating a stock of affordable housing that will, we feel, ultimately reduce the demand on the government to provide services in other areas where it cannot expect to recoup some of its initial investment by having a stock of affordable housing and by having a program that pays back some of the subsidy dollars the government has given it over the years.

Mr Phillips: The reason I raise it is that I think only time will tell on the budget, and I am anxious to have people's opinion because I think we may be here a year from now, two years from now, probably talking with you again.

Ms Bethke: Certainly. Presently the Ministry of Housing represents about one and a half per cent of total provincial budget. That is a very small portion of resources of the government going into our area, but I feel we could have a critical impact on other areas such as social services and health.

The Chair: Mr Stockwell, I will allow your question. The format for the last two and a half days has been that the parties in rotation take their time in that rotation and not waive it, but I will allow your question.

Mr Stockwell: Okay, thanks. I did not realize that is not really a question. I am following up on a question that was asked by the previous member. In any studies I have seen, it seems that the co-operative housing operation tends to build units at two to three times more cost than the private sector would build them. We have seen a few studies that indicated you are grossly over costs on a lot of your projects, and the shortfall is obviously picked up by the government, through mortgages, etc.

Whether or not it is a good budget, it seems to me that we are sucking money out of the economy to pay for inflated housing costs, and it would seem to me that it would be better leaving it in the private sector, allowing them to build the co-operatives on their own for considerably less than what you would do it for, and then it will be less money or less taxes.

Ms Bethke: I am not sure if you understand how our program works. We can only build a housing unit up to a budget limit that is called a maximum unit price. As an example, in Metro Toronto it means we have to build a three-bedroom town house for under \$170,000. If the private sector is building three-bedroom town houses for under \$100,000, I would be happy to find out how they are able to do it, but our costs are well below what the private sector would be producing, and in fact all of our units are built by private sector builders.

Mr Stockwell: I understand that. Maybe I have mistaken you for a different group. You are the Co-operative Housing Association of Ontario.

Ms Bethke: Yes, and I must say that municipal non-profits and private non-profits work under exactly the same rules. There is a budgetary limit.

Mr Stockwell: What about a two-bedroom in Toronto or a one-bedroom apartment?

Mr Bethke: I guess the amounts would be closer to \$120,000 to \$130,000 a unit, so if anybody in the private sector is managing to beat that price, we would be happy to work with them to find out how they are managing to do it but those are the budget limits.

Mr Stockwell: But I see them selling now for thousands of dollars, and there is profit built in.

Ms Bethke: In Metropolitan Toronto?

Mr Stockwell: Well, GTA.

Ms Bethke: There are different budget guidelines on the side of Metro Toronto in the GTA.

Mr Stockwell: So you are suggesting that you are very competitive in the costs of construction and in the project unit costs themselves.

Ms Bethke: Absolutely, and the private sector builds units.

Mr Stockwell: On a tendered basis.

Ms Bethke: On a tendered basis.

Mr Stockwell: I have not seen that. Have you done studies to show that your construction costs in developing these projects are competitive with the private sector's? I have read all your briefs—

Ms Bethke: We have to operate within limits that are evidently less than what the private sector is doing. I can only conclude, since there is not a lot of new construction of private rental housing being done, that they do not do it for the price that the non-profit and co-operative sectors can do it.

Mr Stockwell: Did you ever think that there is no private rental housing being done because of rent control?

Ms Bethke: Yes. They have no rent control in British Columbia, and they have no major new rental housing construction.

Mr Stockwell: I am talking about Ontario.

Ms Bethke: And I am talking about an economic environment and an economy that could conceivably be supporting the construction of new rental housing. They have rent control in British Columbia, and they have no new rental construction either. Rent control is not the issue.

Mr Stockwell: So you are suggesting that if rent controls were not on, that you would still see, in those boom years, no rental housing built.

Ms Bethke: Absolutely.

Mr Stockwell: And why is that?

Ms Bethke: Because of the financing. Building of housing is an expensive thing to do, and you require some form of government subsidy to do it. The government has tried a variety of private sector initiative programs that have been demonstrated to cost the people who have to live in those projects more over time. We have done a comparison of a project that was built on Bay Street with one built at the same time in the co-operative program, and the rents in those units are higher and the government subsidies are higher.

Mr Stockwell: I guess this is a never-ending discussion. I fundamentally disagree with you, and I guess that will just be the way it is. I do not think the co-operatives are particularly inexpensive; in fact, I think they are more expensive. Any study I have seen has indicated they have cost more money than your typical private sector development. If you could show me a study saying otherwise, I would be really interested in seeing it, but frankly, in all the years that the co-operatives have been talking, I have never seen one.

The Chair: Thank you for your presentation this morning.

This committee is adjourned until 1:30 this afternoon.

The committee recessed at 1143.

AFTERNOON SITTING

The committee resumed at 1341.

UNITED SENIOR CITIZENS OF ONTARIO INC

The Chair: Good afternoon. I think we can begin our hearings with the United Senior Citizens of Ontario Inc, Jane Leitch and Edith Johnston. Welcome to the committee. What we normally do is have a half-hour for each presentation. If your presentation does not take that long, we divide up the time for questions at the end.

Mrs Leitch: Thank you. We have given everyone a copy of our presentation, which will be relatively short. We are hoping for a lot of response and questions.

I am Jane Leitch, president of the United Senior Citizens of Ontario Inc, and my associate is Edith Johnston, treasurer of the organization. We represent approximately 300,000 seniors from across the province, some of them in organizations and clubs and some as individuals.

We thank you for the opportunity of meeting with this panel and making our presentation today. Seniors are very concerned about some of the issues in the proposed budget, and today we would like to address three of them that we have chosen as our priorities.

The first one is financial. The cut in income tax for people on lower incomes is certainly to be commended, but seniors on fixed incomes continue to fall farther behind. It is often said that seniors today are better off than they ever were. These are the ones you see out in the community. The others cannot afford to be there. Over 40% of the seniors in this province receive less than Statistics Canada's declared poverty line, and the shocking part is that 77% of that group are single, elderly women. The maximum assistance at present is \$891.88 a month, or \$10,702.56 a year for a single person. It is extremely difficult to live on that amount, especially with the high cost of housing and the lack of affordable housing. Many of our seniors are really struggling to survive. We feel that you must address that issue.

As are all consumers, we are uncertain about the future of health care in Ontario. Although billions of dollars are allotted to provide needed services, much of that money is now being spent on surveys and advisory committees, and the results seldom lead to productive legislation. I myself have sat on a couple of committees that have met and spent a lot of money, and nothing has happened a year and a half later. Certainly we feel that is a lot of wasted money that could be put into health care.

Dental care for the elderly has been neglected too long. The cost of dentures or needed dental care should not add to but should, we feel, prevent deterioration in other, more expensive health areas. The United Senior Citizens of Ontario Inc is on record as supporting the recommendations of the Hicks committee on dental care. This report states that, according to available fiscal and human resources and manpower, dental treatment for the elderly should be provided on the following order of priority: Gains-A recipients; guaranteed income supplement recipients; seniors

with income equivalent to the GIS plus 15%; and finally all seniors who are registered with OHIP.

What happened to this report? It has been out since February 1989, and we would like to see some action. Some of these people in homes are a desperate state. We support the planned reform for long-term care. However, we need action now. The projected plan is up until 1996-97. That is too long for seniors to wait; some of us may not make it.

One of the resolutions in our convention is the need for consumers to be aware of the costs of their health care. It is suggested that everyone, most importantly seniors, should receive a printout in detail of these costs once a year. This week we heard a proposal for making use of our health cards for this information. It is hoped that the government will follow up on this. We think it could save money if many people realized how much is being spent for them. It would also act as a cross-reference to make sure all these services are really being provided.

Although the budget speaks of funds being provided to improve transportation, there has been no special attention to the needs of northern Ontario. The people up there are in serious trouble with all the cutbacks. Many older adults require trips to urban areas for health and other services and are often required to stay in hotels overnight because there is no means of transportation for them to get back that day. This results in a financial burden and often neglect of health because they have to depend on neighbours or friends and they will just let their health deteriorate as they try to remain independent. We feel if there were some form of transportation it would alleviate a lot of the isolation and things that happen in the north.

Your government supports the idea of seniors' independence and the concept of remaining in their own homes. This is only possible if they have access to services and do not become isolated. We would respectfully submit that school buses could be modified at very little cost so that during the day they could be used to transport seniors to appointments and social events. We understand that about 200 new buses are put into the system every year. Why could they not be modified before they were put in? We urge you to act on this as soon as possible.

We would now like to respond to questions.

The Chair: We have approximately eight minutes per party, beginning with the New Democratic Party.

Mr Sutherland: Interesting, your submission focusing in on dentures. The staff in my constituency office certainly wholeheartedly support you in that and feel that if we could somehow get dentures for many people, they would have a lot less work to do. That seems to be their greatest trouble when trying to help constituents in my riding.

I am just wondering if you have any sense of what the numbers are of seniors who need dentures but cannot get them.

Mrs Leitch: We do not have it across the province. In Simcoe county they did a survey which showed that more than 50% of the people in nursing homes need and do not have access to dental care. Many of them, we feel, would

necessarily be in those homes if they could remain able to eat regular food and have some self-dignity. A lot of people are isolating themselves and becoming health hazards because of the lack of dental care.

Mr Sutherland: I was wondering if you had any general recommendations, besides the buses and what you are talking about modifying the school buses, for improvements in transportation for seniors.

Mrs Leitch: Do you want to make any comment on this, Edith?

Mrs Johnston: I would say that two years ago transportation was not the important issue within the seniors movement that it is today. One of the reasons it has become an issue now is that there have been so many problems with transportation, but also, I guess, because there are probably more and more seniors wanting to live in rural areas and needing transportation. This is for shopping as well as visiting relatives, and the biggest complaint that I have from seniors is that they cannot go a distance and come back that day. They cannot get up at 8 o'clock in the morning and get on the bus at 9 o'clock and come back at 9 o'clock that night after a visit. Particularly for health reasons, if they are going to the nearest big town for some kind of treatment or for a visit with a specialist, they are not going to do that if it means booking into a motel and staying in a motel.

Of course, the other issue that came up with transportation was the high cost of insurance, which meant that a lot of seniors who were helping to drive seniors around were not able to take out the insurance. So transportation and issues surrounding transportation have really become big issues within the seniors movement.

50

Mr Sutherland: I forgot to ask this morning of the topic of housing people, but I was just wondering what the status is there, given that people are on fixed incomes, the housing situation for seniors.

Mrs Leitch: We need more, that is for sure. There is not affordable housing. One of the statistics that is shocking to us is that many of our seniors are living on food banks because they are having to pay for the high cost of housing and they have little money left to eat on. In fact, I am talking to the director of the food banks in Metro Toronto, and 100,000 applied for help. That is a shocking statistic, that seniors must live on food banks, basically because of the high cost of housing.

Mrs Johnston: One of the things we really, really have to keep in mind about the housing situation is that no matter how elderly seniors get, if they can afford housing, they can stay in their own housing and have some services come in. But there is a tendency, if they can afford housing, that as they grow older and become a bit frailer they end up in institutions, which we really have to try to stay away from.

Ms M. Ward: I certainly agree with you on your point about housing, and your other points also. I find that in my riding I have a very large number of seniors, and about two thirds of the entire population there lives in

rental accommodation. One of the most disturbing situations is when you meet someone who is living in constant fear that he is not going to be able to afford his accommodation. I know a number of people like that, particularly widows who are living on pensions, and not just widows, but couples also. They have been there for a number of years and they do not want to rock the boat.

I have a couple of buildings in my riding right now where people are being asked for increases which are not going to be approved—I am quite certain you are aware of the rent control legislation. They are being asked for 15% and 20% rent increases and asked to sign the lease with that, and of course it will go to rent review. People are afraid they are going to be evicted and they do not want to rock the boat, particularly women alone. I think you would probably concur that with seniors there is a predominance of women.

Mrs Leitch: Yes, 77%.

Ms M. Ward: I notice when I visit nursing homes, that it is—well, 77%. I was going to say three quarters.

I wanted to speak about the transportation system too. Is the northern health travel grant of benefit there?

Mrs Leitch: That just applies to mileage.

Ms M. Ward: Not accommodation to stay over.

Mrs Leitch: There is assistance for mileage within 200 kilometres, or now they have dropped it to 100 kilometres, with the need for doctors' appointments and so on, but that is only for mileage.

Ms M. Ward: I see.

Mrs Leitch: If they have to stay overnight or all those other expenses—

Ms M. Ward: They are on their own for the cost.

Mrs Leitch: They are on their own.

Ms M. Ward: I know that in my riding, which covers two municipalities, there are fortunately service agencies that run transportation to doctors and so on, but people have to book that beforehand. I suspect that the supply of that service is probably very uneven across the province, is it?

Mrs Leitch: Very much so. It is also curb to curb in most cases, and a lot of people cannot get to the curb.

Mrs Johnston: You talked a little bit in the beginning about income and what seniors can afford. We in the USCO attend a lot of conferences and conventions where naturally the seniors are in the minority, although they are supposed to be the ones who are making the decisions. It is other people, business people, who are talking about housing or health care, whatever it is. We really have to keep stressing the fact that the senior who is visible is not the senior we have to look after. There is now becoming this statement that is being made at all these conferences, "The senior of tomorrow is going to be so much better educated, is going to be so much better off." You get off on that talk and you begin to forget that there are all these invisible seniors who are not well off, and due to medical research they are going to be living longer and are going to be more frail. We really have to keep that uppermost in our minds, taking care of those people.

Ms M. Ward: As to your organization, where you say you have 1,300 clubs, your comments reminded me of something I was thinking of when you started your brief, the immigrant seniors. They are often very isolated.

Mrs Leitch: There are a lot of immigrant clubs that belong to our group. They tend to stay within their own circle of friends, but they join the USCO as a club. Each member joins individually.

Ms M. Ward: There are probably a lot out there who do not belong to clubs.

Mrs Leitch: There are a lot. We have a lot of individual members, but there is no doubt we are missing a lot of the ethnic population, although with anything we do, every senior in Ontario gains the benefit of it.

Ms M. Ward: Keep up your good work.

Mrs Leitch: We are working on behalf of all of them, whether they belong to us or not.

Mr Phillips: I appreciate your thoughtful brief. I am interested in your comments on one of the ones you mentioned, the long-term care reform. I have a big interest in it myself. My interpretation of where it stands now is that the previous government announced its plans and then the new government studied it for about eight months, and essentially it kind of reintroduced the same plan that was there before but it has taken eight or nine months of looking at it. That is my own interpretation. You people are very knowledgeable in this area. I would be interested in your comments on the proposals and any thoughts you would have for the committee.

Mrs Leitch: When the Liberal government first came in it brought in A New Agenda, which was quite a few years ago. It was discussed and rediscussed, and there were consultations and we made sure our members were at every consultation all across Canada. Then the minister responsible for senior citizens' affairs changed and A New Agenda was shelved. A couple of years later the Liberals came out with the new Strategies for Change for long-term care.

Mr Phillips: Right.

Mrs Leitch: I have been on an advisory committee. We spent a lot of time talking about it. I do not know how productive it was. They were supposed to have gone to consultation a year ago in the fall and the committee has been on hold for a long time. Now they have brought out another redirection for long-term care and I understand there is another one coming out this summer.

We are just confused. We have been surveyed to death. We have been consulted to death. We do not think all that money needs to go out on all those papers and all those consultations. We would like to get on with it and do something. What is really frightening is that they hired all these service access workers a year and a half ago and they are paying them and they have not been given direction yet. They are to get to know their neighbourhood. How long is that going to take?

Mr Phillips: That is my understanding. There are 14 offices around the province.

Mrs Leitch: Sure; 14 offices but 140 other support workers for those offices.

Mr Phillips: Yes.

Mrs Leitch: This is a lot of money.

Mr Phillips: The long-term care reform that you support is what?

Mrs Leitch: We think it needs changing. We think a lot of money has been spent foolishly. It might not cost more money if it were reorganized and if we knew how much it cost. That is our point about wanting to know how much it costs the government on our behalf. We think we as seniors do not always use the money wisely either, but we do not necessarily know what we are doing. We do not get any—how much is being spent on our behalf? Let me rephrase that.

Mr Phillips: Strike that from the record.

Mr B. Ward: Or what you meant was—

Mr Phillips: It must be a misprint.

Mrs Johnston: I guess the point we are stressing here is the money that is spent on these surveys and advisory committees and papers and papers. Really and truly at the last three or four conferences or conventions that I have been to seniors have got up at the PA system and have said this so many times over: "Let's stop. Let's start doing this. Let's put long-term care into action without all this other expense." It is time now.

1400

Mr Kwinter: From your remarks I get the impression that the number one issue as far as financial viability for seniors is concerned is housing. Is that your problem?

Mrs Leitch: Probably it is most important. We put it first because everything hinges on it. On the amount of services provided, the new theory is to keep people in their own homes, but the services have to be there for people to remain in their own homes. We think a lot of people are inappropriately put in health care institutions when, if the services were provided—it all ties in with finances.

Mrs Johnston: It certainly all ties in.

Mrs Leitch: Yes, but there is more than that. There is the social isolation that is going on. That is happening.

Mr Kwinter: When you talk about these invisible seniors, can you just tell me a little bit more about why they are invisible?

Mrs Leitch: Because they cannot afford to buy the clothes to go out socially. They do not have dentures. They feel inferior. They are becoming second-class citizens. They are not that visible majority that we see, that everybody says is doing fine. They are people who probably had little education, had little opportunity to save any money of their own. A lot of them are women whose husbands' pensions, if they ever had them, died with them.

Mrs Johnston: There are people who have been at the poverty level for probably a long time, and probably as a younger woman or a woman in her 50s who was not able to get back into the labour force at a decent wage, and then goes into retirement with a lower pension, no Canada pension or a very little one. Through being poor and living at the poverty level, they lose their self-esteem, their energy, their ambition to want to be different. They just get stuck

put somewhere and really they do stay invisible. Even though there might be a seniors' club down the road that could be going to, they are stuck in front of a TV or drinking their tea. There are an awful lot of them in society today, but because they are invisible, we are always thinking about them.

Mr Kwinter: I assume a high proportion of them are men.

Mrs Leitch: About 77% of the people on subsidy are older women.

Mr Kwinter: What proportion of all seniors are invisible?

Mrs Leitch: Forty per cent are living on or below Statistics Canada's poverty line. It is frightening, is it not?

Mrs Johnston: The media itself portrays the senior travels, the senior grandma and grandpa who have the phone to phone long-distance and all this. We get locked into thinking that this is what life is about, that is what is going on out there, and it is not.

Mrs Leitch: Many of them cannot afford telephones and cannot afford newspapers and they do not get them because they just cannot afford the cost. It is important to eat.

Mrs Johnston: That whole thing comes too from what they could afford before they were a senior. They went through the Depression when long-distance telephone calls were right out of the question. They are still thinking that, even in retirement, even if they were able to make the odd long-distance call. They do not, which really tends to isolate them even more. They are not able to get out to be influenced by other seniors. Maybe we are not able to do research and the outreach to them where we are always reaching them. They are the hardest people to reach.

Mr Runciman: I may be characterizing your recommendations unfairly, but it seems to me that most of what you suggesting here is going to cost taxpayers additional dollars.

Mrs Leitch: Not necessarily.

Mr Runciman: I agree with you in the sense that you've talked about dental care, and there may be some offsetting savings, but you cannot put a number on those and then can I.

One of the major concerns about the budget of the present government is the fact that we are running in the neighbourhood of a \$10-billion deficit. I guess I would like to know your views and the views of your organization with respect to areas where perhaps this government and future governments can address the concerns of your organization with respect to the people who are living below the poverty line currently, but there are many seniors and others in society who are benefiting from government, if you will, who are not in need of government assistance. I know that in my own community my dad refuses, for example, to accept benefits from the Ontario drug benefit plan because he has an income where he does not feel he should. He has friends who are in a much better financial position than he is who take advantage of the Ontario drug benefit plan.

We could look at OHIP as well, and the universality of OHIP, where people who are the other 60% of seniors, many in society, who are benefiting from so-called free medicine, free health care in this province. You are concerned about the future viability of health care, as I am and as many people are. I am wondering about your views on universality, if you have any views about the idea of a deductible in health care, for example, like any other insurance policy, those kinds of things that can bring some fiscal sanity back to the health care system.

I believe the way we are going now, if we do not take a look at those kinds of options, which are perhaps not politically attractive but bullets that have to be bitten at some point in the future—I believe it would be very helpful if your organization took a look at them and passed judgement on them as well.

Mrs Johnston: You look at dental care. If all those seniors had good dental care and they were able to eat properly, they probably would not have some of the health problems they have, where the money goes to dental care and is saved in other areas of health care. That is just one little comment I have. I am sure you have something else. I have some other things to say too.

Mrs Leitch: I think on one of the things you alluded to, the high cost of living and the high taxes, the GST and so on, a lot of seniors come from a generation of people who sort of looked after themselves, and we feel that running into a high deficit is putting the government's hands into the pockets of our grandchildren. We are very concerned about that. We feel the government spends a lot of money doing things that are less productive. As we said some of these meetings and advisory committees and so on, if it were spent on some of the services, it would not be any more money; it would be redirected money. We do not think the things we are asking for need new money. We are asking for there to be a better look at the money there is.

Mr Runciman: I appreciate that and I agree with you that there is a lot of waste in government in delivery of programs, etc. I guess in terms of the bigger picture, the question of universality, for example, is one that I think it would be helpful to this government, and other political parties as well, to have your views on and how you feel it can address—the health care budget represents a third of the provincial budget and it is growing.

Mrs Leitch: Right. We know that.

Mrs Johnston: We have to retain universality. There has to be a way that we retain universality. There probably are different things we can be doing, and I think we can start being more careful of how money is spent. Also, I do not know where you would draw the line as to who can afford it and who cannot, and where government is going to make the decision as to one person being eligible for something and another person not being eligible. I am sure that in retaining universality, we have to assume that our people who are well off to pay for something, pay for it. They do not always want to indicate that they are paupers and have to be using services free.

Mr Runciman: The reality is it does not work that way.

Mrs Leitch: You referred to dental care. We gave you some priorities there that we agree with. The people who need it worst should certainly be looked after first.

Mr Runciman: But your ultimate priority is universality.

Mrs Leitch: The USCO stand is the ultimate. We feel it makes second-class citizens of those who cannot afford it.

Mr Runciman: My only comment is that I think your views and the views of others in society would be perhaps increasingly helpful to all political parties if you took a look at some of the tougher questions with respect to getting a handle on costs for government, rather than the idea of additional dollars.

I was listening to a radio show the other day where a gal was talking about introducing a new sport to Canada, and the interviewer said, "What kind of chance of success do you think you are going to have in getting this widely accepted across Canada as a new and popular sport?" She said, "It depends on how much money the governments are going to give me to promote it." That seems to be a growing illness in this country, I believe, where people look to government for virtually everything to assist them, even promoting a sport.

I am not trying to be critical of your organization. I am saying that I think all of us in this society have to take a fresh look at these things, and a realistic look at what we can really afford. We are all going to suffer in the long run.

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Mrs Leitch: We certainly do not want to be a gimme society. We do not want to be asking for things that are not our share, but when we hear that there are all these many people on food banks, seniors living on food banks, and there are people in institutions who have no dental care so they have to remain there because they cannot look after themselves and eat and keep up their health, then we have to speak out on their behalf.

Mr Runciman: But I think you can be helpful by speaking out in the sense of saying: "Sure, I think all of us are concerned about those matters, but how can we fund that? How can we make sure that those people are adequately addressed?" rather than, for example, very wealthy people in society getting free drugs.

Mrs Leitch: Our organization is an organization of volunteers. All of them are volunteers. Throughout the many years that USCO has been around, we have never accepted any kind of government funding for our programs. However, we realize that times change. Times are changing, and we in USCO are changing our thoughts about how we have to do things and we are looking now at the fact that in the future we are going to have to find the ways and means of doing a little bit more research into some of these things and quite likely in the future we are going into a little bit more on how the government is spending the money and what kind of funding there is out there and who should be looked after and whatever. But in the meantime, user fees are not part of our program. We do not want to see user fees. We want to keep universality. Non-universality in a health care system creates a system

for the rich and a system for the poor, and the United States is a very good example of that.

Mr Runciman: We could debate this one all day.

Mrs Leitch: We said many years ago, when the age security was going to come in at—was it \$40 a month?—that the country could not afford it, and then I am sure they told Tommy Douglas we could not afford medicare. We have been able to afford it, and we are going to have to keep on trying to afford it.

The Chair: Thank you for your presentation this afternoon. Our time for your presentation is up.

Mrs Leitch: Thank you very much. We hope that you will consider some of our suggestions. You are all going to be seniors. We look forward to some positive results from you.

The Chair: What I am hoping for is a little bit of equity in this.

Mrs Johnston: I would like to tell you that, besides being treasurer of USCO, I am the editor of our newsletter, and I know that our New Democratic Party does get our newsletter. I just wonder if the Liberals and the Tories might each like to have a copy of our newsletter.

Mrs Leitch: And I do have a few copies of our brochure if anyone would like to pick those up. These are the copies that have been presented by USCO.

ONTARIO HOTEL AND MOTEL ASSOCIATION

The Chair: Our next presentation is from the Ontario Hotel and Motel Association, Diane Karabinos, executive director.

Ms Karabinos: It is Karabinos.

The Chair: I am a little out of practice. I usually do a little better than that.

Ms Karabinos: It is all right. I have always waited until I hear how it is pronounced. It has been fun. I have two boys in baseball, and sometimes to hear the sport announcer say what they did to those names made for good jokes.

Mr Stockwell: You should see how they are pronouncing Mulroney these days.

Ms Karabinos: I believe it.

The Chair: Then you probably would have appreciated the first day of school with all of the teachers trying to figure out all of the kids' names and how they are pronounced.

Ms Karabinos: Very much so.

I must apologize. I know you all have a brief, and there is a scratched-out item in there. As I was preparing it, I put a couple of thoughts down that I was going to expand on, but after reviewing the number of pages, and knowing how much time you have to sit here, I decided not to add them to my presentation.

I would like to first of all thank you very much for giving me the opportunity of addressing our industry's feelings and concerns about the recent budget, but also would like to tell you a little bit about our organization.

The Ontario Hotel and Motel Association is a trade organization which represents over 1,200 members who own and operate large and small businesses in the hospitality industry. These industries are hotels, motels, taverns, restaurants, resorts and lodges throughout the province.

association membership employs over 45,000 people, the numbers increase during holidays and special seasons. We recognize the importance of working together in the tourism industry and join our efforts with our colleagues under the umbrella of Tourism Ontario to help improve this industry.

Although the announcement was made after the budget, we were very pleased and excited when Peter North, Minister of Tourism and Recreation, announced the commitment and establishment of the Ontario Tourism Education Council. This will provide opportunities in our industry through job apprenticeship, national certification standards, training and education and the promotion of vitality awareness.

We were disappointed, however, that tourism was not mentioned or supported in the recent budget. Tourism means jobs and revenue. Ontario tourism operators are burdened with taxes: fuel, airport, transportation, property and land. Compound those with the GST, PST and the Ontario land tax, plus other proposed taxes on our industry, and it makes tourist operations a nightmare of paperwork.

Hundreds of tourism and hospitality businesses, both large and small, have been brought to their knees by this recession, wiping out countless millions of dollars in personal and family investments while crippling the entrepreneurship which has sustained development and growth in the industry. In the recession of 1982, the small business sector was helped. In this recession, one that is deeper and longer than most people dreamed—and it is not over yet—small business person has become a non-entity. It must be remembered that not only are employees people, but employers are people too.

Our industry has traditionally provided meaningful and productive employment and steady incomes for hundreds of thousands of Ontarians, and particularly for women, youth, aboriginal peoples, new Canadians and visible minorities, in greater numbers than in any other sector or industry in our province. Many of them and their dependents are now suffering the hardship of permanent or indefinite layoffs and reduced available work opportunities. There must be a recognition of the vital economic importance of the Ontario tourism and hospitality industry to the economy of the province.

We find that Canadian consumers are going to the US for goods because of price differences. The cross-border shopping greatly affects the hospitality industry as well. This is causing economic pain and in some cases bankruptcies for domestic retailers in border communities in Ontario. Canadian shoppers, in order to benefit from the short-hour visit, are opting to stay in US hotels and motels so that they can bring additional goods back across the border. The occupancy on weekends of border cities' accommodation properties is down everywhere. This means that hotels are losing money, retailers are losing business, jobs are decreasing and the government's tax revenue is diminishing, and it would appear that our tax policies are self-defeating. When people continue to shop across the border, it becomes a part of their routine, part of their life. Routines are difficult to break. We are people, but we are

creatures of habit. How long before we convince them again to shop Canadian and utilize our own resources?

Sunday shopping, mandatory service training, minimum wage increase, off-premise sales, pay equity, wage protection, sin tax, employee health tax, environmental and waste regulations, workers' compensation, directors liability—where will this all end? Business has long been recognized as the major creator of new jobs. Business, by its very nature, is innovative and creates new products and advanced technology which can be exported worldwide.

If the government continues to apply more legislation, taxes and restrictions on the employer, it soon will not matter if the employment standards are not met or the employees are being paid a good wage, because there will not be any reason to have employees. Retail, manufacturing and hospitality operations, large and small, are closing their doors already at alarming rates.

I conducted a survey, and I will not go into specifics, since you have them there, but even though it was an 11% response, we felt it was quite substantial, because when you are conducting surveys, 3% is a good number to receive back. But the overall feeling was that everybody is hurting. Business is down, employees had to be laid off, and it is not just for one reason. We recognize it is for many reasons.

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I would just like to take this opportunity to highlight some of the requests and recommendations that were collectively made with Tourism Ontario's submission that we would like to remind the government to reconsider. The Ontario government should:

- maintain student wages and the tip differential in wages for wait staff;

- eliminate the exemption of the current provincial sales tax on prepared food purchases under \$4—this would net the Treasury an approximate additional \$140,000 per year;

- eliminate the discriminatory provincial gallonage tax on beverage alcohol purchased by licensees, which will enable them to competitively price and merchandise spirits, beer and wine with food and significantly increase provincial tax revenues;

- enhance industry sales of taxable food and beverage by harmonizing the collection of provincial sales tax applied to prepared food and beverage alcohol at 8%—you may or may not be aware the alcohol is at 10% now and the food is at 8%;

- freeze the provincial sales tax rate applied to accommodation at 5%;

- eliminate the application of the commercial concentration tax on large hotels and associated parking areas and large buildings in the greater Toronto area;

- reduce the unfair employer health tax rate for tourism and hospitality enterprises to a flat 0.5% of gross payroll regardless of their size;

- eliminate the application of the employer health tax on taxable benefits and allowances in our industry;

- collect the employer health tax from all persons who are self-employed or compensated through unincorporated proprietorships;

- reinvest all provincial tax revenues collected annually from provincial fuel taxes, drivers' licences and vehicle

purchase, rent and repair taxes, levies and surcharges into the improvement, repair and expansion of provincial and municipal roads.

The hospitality industry today is faced with many obstacles and increased operating costs and restricting legislation. In order to remain competitive and recapture some of the lost business from our neighbours to the south, we must have the ability to compete on a level playing field. We ask the Ontario government to please reconsider our recommendations, as we strongly feel that these recommendations, if approved, will help the economy of Ontario and therefore the people.

I would be happy to answer some questions.

The Chair: We have about four minutes per party, beginning with the Progressive Conservative Party.

Mr Sutherland: Is it not the Liberals' turn to start?

The Chair: Right, it is the Liberals. Sorry.

Mr Kwinter: I just want some explanation for one of your recommendations. The second one reads, "Eliminate the exemption of the current provincial sales tax on prepared food purchases under \$4—this would net the Treasury an additional \$140,000 per year." What is the rationale behind that?

Ms Karabinos: To be honest, I think we were trying to work out—we are looking at lowering the taxes on alcohol and alcoholic beverages. We realize that the government, in order to offset or lose revenue in one area, will need to look at revenue in another area. We felt that by choosing prepared fast food we are not discriminating against the people who cannot afford to pay the taxes, because we know people who frequent fast-food operations come from all walks of life, and this was one of the reasons we had recommended that. The figures that were looked into I believe were estimated, and we looked at basically a sales projection forecast and what it does. I am afraid I could not give you specifically how that figure came up.

Mr Kwinter: The reason I ask the question is that, with all due respect, \$140,000 is a rounding figure in nearly any ministry. I mean, it is statistically insignificant, it means nothing. Why you would sort of upset one whole sector of a whole part of the hospitality industry for so little gain just seems to be strange that that would be something you would be advocating.

Ms Karabinos: I apologize then. I do not mean to upset any sector in particular. There are some that are our members as well. It is the inequities that are coming, that one type of establishment does not have to pay provincial sales tax where another establishment does. You walk into a tavern or a bar and order something and you are taxed to the hilt. This is more of our reasoning. We realize you cannot lower the gallonage tax, so to speak. We were trying to come up with some fair way of compromising.

Mr Phillips: The minimum wage is going to \$8.50, I think, over the next three years. Has your industry done any impact analysis in terms of whether that would have any impact on the number of jobs in the field?

Ms Karabinos: Yes, definitely. We have done it in our own association; the Ontario Restaurant Association also

has done it. In the survey, as we stated, we asked different questions on the increase of costs. Verbally, doing a question across the province, the general feeling without accurate statistics is that they just could not afford to hire any future people; they would probably have to lay off people because the money is not there in a service in the hospitality industry. There is not a great profit margin and it is very heavily serviced with people. This is an industry where people are our resource. They are the best allies we have, but the overhead cost—in our industry we cannot put up computer equipment to take the place of people because it is service, and these escalating costs will result in having to cut back. They just cannot.

One of the strongest points was made when we did the initial survey, when they were talking about increasing wages for students. It was almost unanimous that if we had to pay students the same wages as we would be paying adults, then unfortunately the adults would get the nod for employment over the students because they felt that the adults would be—I do not want to say better qualified nor educated, but they would have more experience, be more reliable and responsive.

Mr Phillips: If your industry has any numbers on the jobs, I think the committee would be interested because when it does go to \$8.50, we are always interested in the job implications of that.

Mr Runciman: I do not have any difficulty with the recommendations you are making here. I would like to ask you, though, about the liquor laws in the province. I wonder, in terms of your industry, if you find them too restrictive; if any liberalization of liquor laws would be of assistance to you as well as the measures you have recommended here. I am wondering what impact that would have on.

Ms Karabinos: Definitely, to put it in one simple word. Our liquor laws do restrict our members many times in making a living, and the laws laid down now in addition to the taxes are just compounding them in trying to stay alive in the business. They are finding it very difficult to cope with it.

Mr Runciman: I am going back to the Conservative government when Robert Elgie cancelled happy hours. I live on the border and I see what is transpiring over on the other side of the St Lawrence River in respect to Alexandria Bay, for example, a major tourist area along the St Lawrence River. They not only have happy hours, they have what they call power hours over there where they give away beverages for a given period of time. There is some question about what is appropriate in terms of drinking and driving and all of those other societal questions but it certainly gives the people on this side of the border another handicap in respect to being competitive. Coming from a traditionally Conservative riding, over the years my views have changed where I think that perhaps we are just simply being too darned restrictive in respect to our liquor laws.

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Ms Karabinos: I agree with you. I feel we are being too restrictive. We have to bear in mind that the operators

establishments that sell the liquor and wine are professional in their jobs. They serve it responsibly. They are the promoters of serving alcohol responsibly. We were one of the first industries to bring in serving alcohol with care. We realize we have an obligation to the community. It is not being it very difficult—the cost of everything, the elimination of happy hour, the perception that people cannot have a good time, that they have a drink—is really hurting our industry quite a bit. We hope that will change in the future.

Mr Stockwell: Frankly, I think the season is a write-off. At the end of the season you are going to have more businesses going out of business after they find out the numbers this summer have been so disastrous. Have you interim numbers as to how much business is off? I know where I operate in Midland it is just a ghost town, really a ghost town. We are not doing any American business. I think the outcry again this summer is just going to be unbelievable. I am just curious to see if you have any statistics.

Ms Karabinos: We do not have actual statistics because people out there are too busy staying alive. I agree with you. I was in Sarnia and I was devastated when I saw closed shops. Sometimes you went down to some of the American towns where the windows were all boarded up and it was like a ghost town. When I see that happening in my own province and in my own country it scares me. The people will not say they have gone under until we go to contact them to renew their membership. They just say they have not survived, they have given up.

Mr Stockwell: So you do not have any interim numbers on bankruptcies or just, "I'm closing up and I'm going home."

Ms Karabinos: I could probably get that for you.

Mr Stockwell: You have been through two recessions, one in the early 1980s and now this. The early 1980s recession was bad. I do not think it was as bad as this one. I think they have doubled the ante on this one. Maybe you can make a quick comment on all the new taxes you are faced with as an employer, the fear of the way the minimum wage is rising to just an unbelievable amount, especially in the service industries. You will lay people off before you have to be able to pay that kind of money. Is that basically the concern you are hearing? It is the recession, yes, it is terrible, we go through recessions, but it is the added increase in taxes that your industry has been hit with and the uncompetitive nature of your industry today.

Ms Karabinos: Yes, it definitely is the legislation that has been put down on them, the increase in taxes, the lack of business, the lack of tourists coming into the province, the lack of spending power for the residents in the area, whether southern Ontario or northern Ontario. It really has impacted them.

I had my own business two years ago, and I often think if I were in my business today I would have been one of those who would have folded my doors. It was a service business. I was working seven days a week. Sometimes it was like 24 hours or 36 hours a day, but quite a long time, in order to afford to pay somebody, and at that time it was

just over minimum wage. Today, with the health taxes and everything else, there is just no way I could have done it.

Mr Sutherland: I guess from the comments you have just made, you would not have been supportive of, say, an extra \$3 billion to \$4 billion in revenue collected in taxes.

Ms Karabinos: You will have to clarify that. In what way?

Mr Sutherland: Assuming those taxes would probably come from the normal traditional areas that are taxed and maybe a few others, you would not be supportive of that.

Ms Karabinos: I think you are putting me on the hot seat a little bit in that respect. Let me just put it this way, I do not think any good citizen is against taxes collected as long as they are used in the proper way, as long as they are collected with people in mind. You have to leave some money behind so people can spend the money, generate further business and generate further jobs. If we get taxed too much, that is just not going to happen.

Mr Sutherland: I was just wondering, because I am reading this document we had put before us. It is the report of the budget review by the official opposition. On page 5 it says, "The Liberal approach, which we call on the NDP to implement immediately, was embodied in the phrase 'pay as you go' by the former Treasurer." I am trying to figure out, if we paid as we go along, if we were paying right now, that would have meant that if they were in power they probably would have had anywhere from an extra \$4 billion to \$5 billion in tax increases this year to have a balanced budget. I was just getting your comments on that.

Mr Stockwell: Have you ever heard the term "quantum leap?"

Ms Karabinos: I am non-partisan. I am not answering that one.

Mr Stockwell: Fair enough.

Mr B. Ward: One quick question. We have to look, during these tough times, at all government programs and expenditures. There is one program run through our Ministry of Industry, Trade and Technology, through the Ontario Development Corp, called the tourism redevelopment incentive program, TRIP. I am sure you are familiar with it.

Ms Karabinos: I am afraid I am not. I am sorry.

Mr B. Ward: It is a loan guarantee program for hotels, motel owners, tourist-type industries that want to expand but cannot obtain at a favourable interest rate a loan to complete their renovations. I can relate directly. This is not all doom and gloom. I was at a sod-turning ceremony probably for one of your members, the Brant Park Inn in Brantford, for a \$700,000 renovation expansion program, and \$500,000 of that was guaranteed through TRIP. That is one aspect of the government benefiting your membership indirectly or directly. We all have to look at government programs, and if we cut, where do we cut? I am surprised you were not familiar with this program.

Ms Karabinos: I was not familiar with the name, but I am aware of the program.

Mr B. Ward: Is your industry supportive of that type of program? I think it is of great benefit. In fact, the owner

of the complex said there is no way their renovation and expansion could have gone through without this loan guarantee from the government.

Ms Karabinos: That is correct, and we recognize that the government has done many things and has created many programs. I guess what I am saying is that the suggestions we are making will help everybody, no matter if they know where to apply for this program or whether they would qualify for the program. Some of these suggestions will help generate business and employment.

Mr B. Ward: I think you are saying let's work together, get over these tough times so your industry can survive and we can all prosper in the future. We are here to gain your views on the budget and how the economy perhaps is going to look in the future, and we very much appreciate that.

Ms Karabinos: Definitely, but as I say, I do not know what the answer is, and I would certainly never want to sit in any of your seats, because I know it is a difficult decision. I also know that our members and the proprietors out there with the businesses, be it retail businesses, Sunday shopping, the hotel or motel large or small, are suffering. We cannot keep pointing fingers at the GST. It is not that. It is the fault of all of us. It is my fault as well as theirs as well as yours. We all have to do it, but we also have to take that first step. We have to start looking at cutting back so we can be competitive with our neighbours to the south.

Mr B. Ward: Okay, so is that perhaps one program we should be cutting back?

Ms Karabinos: I think we have to look at—

Mr B. Ward: Because if we did, then that expansion would not have gone through.

Ms Karabinos: No, excuse me, but I do not think that is the answer. That is not what I am proposing and that is not what our recommendation is, because that is one property. I think those kinds of incentives are needed, but I think we also need incentives for everybody. We need to promote tourism to this province. There is another area where more money could be spent on promoting tourism, recognize that tourism is a valuable part of this whole province and the economy. I looked in the budget book and I saw the graph made up, and the service industry represents, I believe, 67% of the wage earners, and manufacturing 22%. Yet so much focus is put to the manufacturing and their wages, and it really is the service sector we have to concentrate on, because that is the future and we are the—

Mr B. Ward: Good, I appreciate that.

The Chair: Thank you for your views and your presentation this afternoon.

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SMOKERS' FREEDOM SOCIETY

The Chair: Our next presentation is from the Smokers' Freedom Society, Phil Gillies, president.

Mr Gillies: It is an unusual experience for me to be on this side of the table, but it is none the less good to be here. I thank you very much for the opportunity of making a presentation on behalf of our society this afternoon.

We want to thank you for the opportunity of making a brief presentation with regard to the budget brought down recently by the Treasurer. Our society has a number of specific concerns with regard to ever-increasing tax on tobacco products and also with a budget reference to a so-called provincial tobacco control policy.

Let me say at the outset that having served two terms in this Legislature, I know hearings of this nature can turn into a roast of the minister of the day. With that in mind, I do want to indicate to members that while I am not a great fan of this budget, I am indeed a fan of the Treasurer. Mr. Laughren is one of the hardest-working and best-motivated individuals whom I had the pleasure of serving with in this House. The Treasurer and the next government assumed their duties at an extremely difficult time in Canada's history. We can only hope that their stewardship of the provincial economy at this time will prove to be of benefit to most Ontarians. None the less, I am here today because we have serious concerns with the references to tobacco products in the 1991 budget.

First of all, let me tell you a bit about us. The Smokers' Freedom Society is a national organization with over 8,000 dues-paying supporters, both smokers and non-smokers across Canada. The society was established in 1986 to support and promote responsible freedom to smoke "with respect for others." The organization believes smoking is primarily a private matter which should not be subject to discrimination or to excessive government intervention and regulation. SFS activities include information dissemination, lobbying, research, financial support in defence of smokers' rights and public advocacy.

On June 1, I became president with a mandate to considerably expand our fight across Canada against excessive taxation and other legislative and regulatory infringement on the rights of smokers.

I am sure members are all aware of the national tax protest that has been conducted recently by the manufacturers with the full support of our society. I wish to speak specifically against the budget measure which would see the provincial tax per cigarette increased by a further 1.67 cents to 6.5 cents, with an equivalent increase on cut tobacco. Bill 84, the budget bill to implement this change, now sits in Orders and Notices awaiting debate.

The ever-increasing and unfair tax burden on cigarettes and other tobacco products has reached the breaking point. These taxes are hurting our economy, they are encouraging criminal activity and they are infringing on the civil rights of millions of people.

The tobacco taxation policies of our federal and provincial governments in 1991 are counterproductive in just about every respect. The tax component of the selling price of a package of 25 cigarettes is \$4.38 in Windsor, Ontario; in Detroit, just across the bridge or under the tunnel, the tax on the same package of cigarettes—Canadian cigarettes, I might add—is 74 cents. Cigarettes are cited as one of the driving motivations in our province's cross-border shopping crisis. Indeed, if you ask through a public opinion survey, you will find the two things most likely to send people across the border to shop—the two triggers, if you will—are cigarettes and gasoline.

cigarette smuggling is becoming one of the major forms of criminal activity in Ontario; it is up some 40% in the last two years. You can buy illegally imported cigarettes within three blocks of this building. Indeed, you can find them in just about every town and city in the province. You can have a carton of smuggled cigarettes delivered to your home in Toronto for a total of about \$20, including delivery. For a carton of cigarettes purchased legally now the price range would be from about \$43 to \$50. Small wonder that thousands of otherwise law-abiding citizens are now buying the illegal product.

News reports in recent weeks indicate that organized crime is moving into this lucrative field of criminal activity. We will soon be dealing not with small-time smugglers peddling cigarettes across the Niagara River in kayaks and on wagons but rather with heavily armed professional criminals. Law enforcement agencies, the OPP included, are now expressing a concern that the pipelines being used for smuggling cigarettes are easily adaptable to the smuggling of illegal drugs and other kinds of contraband.

Corner stores are becoming increasingly unsafe places to work as robberies increase. The usual targets are cash registers and of course cigarettes. Many stores have now been burgled repeatedly. They are having to install steel cabinets and safes to lock up their tobacco products at night, another expense for small shopkeepers who are already struggling on the face of a recessed economy. At present prices, one dealer told me recently, you might as well have a rack of gold bullion behind the counter.

Punitive taxes and resulting lost sales are costing Ontario jobs—jobs for farmers, jobs for distributors and jobs for unionized workers in the tobacco manufacturing industry which still has a number of manufacturing facilities in the province. According to Statistics Canada, members of the committee know, tax increases have been cited as the single most important contributor to recent increases in the consumer price index.

Total federal and provincial taxes now represent approximately 75% of the purchase cost of a package of cigarettes. Our position is that this is regressive taxation. It places a disproportionate burden on lower-income people who cannot choose to smoke—people who may not be able to afford season tickets for professional sport, people who may not be able to afford expensive vacations, but ordinary people who may take the simple pleasure in having a cigarette.

I might add that the over two million people in Ontario who cannot choose to smoke simply are not going to take it any more. We know that the mood among smokers in the province, for the most part, is one of ever-mounting anger. This has been reflected in the national tax protest which has been going on for several months now.

Each and every member of the Legislature is, I am sure, hearing from your constituents that they are fed up with these record levels of taxation, both provincial and federal. Your constituents who smoke are paying more than their fair share of the total tax burden. We would like to say, as the present campaign being run by the Canadian Tobacco Manufacturers' Council says, "Tell the government that smokers count too!" We urge you to speak against

and vote against Bill 84, the budget bill to amend the Tobacco Tax Act.

I am all too aware of how easy it is to vote for increases in tobacco taxes, even if you may be opposing other tax increases. But in this year, a year of unemployment, a year of plant closures, tax revolts and triple deficits, I would ask members to ask themselves these questions:

Is this the time to once again force up the price of a widely used consumer product the retail price of which is already made up of 26% product, marketing and distribution costs and 74% tax?

Is this the time to send many more thousands of Ontarians across the border to the United States to shop for cigarettes which are approximately one third the cost they are here? These same consumers are usually buying other goods while on these trips, goods that Canadian retailers would like to be selling them.

Is this the time to encourage the growth of a major new profit centre for criminals? By encouraging Ontarians to purchase inexpensive, illegally smuggled cigarettes, are governments creating a new era akin to Prohibition?

The Treasurer believes that tobacco consumption will decline as a result of the new tax increases. I ask you again to ask yourselves, will tobacco use really decline or will smuggling and cross-border purchasing simply increase?

Indeed, it is interesting, I point out to members, that while the sales of domestic cigarettes are down slightly since the latest round of tax increases, the sales of cigarettes for export—these are Canadian cigarettes produced here and then exported into the United States—the production of that product is up 40% over last year. We know from our surveys that Americans do not smoke Canadian cigarettes, so that huge increase is simply Canadians who are buying from across the border to avoid the taxes.

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This is the year, members, to say no to tax increases, including the tobacco tax increase. In the 1990 election campaign, many Ontarians voted against high-tax policies. How refreshing it would be to find that many of our legislators are prepared to keep their word.

There is one other item in the budget which I would like to touch on briefly. On page 19 of the budget document, the Treasurer tells us that the Minister of Health will be announcing details of the provincial tobacco control strategy. As you can well imagine, Smokers' Freedom will be watching keenly to see exactly what is included in this control policy. While we do not wish to rely unduly on rumour at this stage, rest assured that we will be in touch with you again when the details of this policy become known.

We hope the government is not contemplating measures such as generic packaging and restricted distribution through government outlets, an LCBO for cigarettes, if you will. In the present economic climate, removing tobacco products from the shelves of private businesses would spell a death sentence for hundreds of corner stores across the province. It would also be a horrible inconvenience, we believe, for the smoking public.

We want to assure the government that the views of Ontario's two million smokers will be forcefully put on any such measures. We do not want a war over tobacco

policies and we hope the government does not either, but if unreasonable measures are forced on the province, then there could well be a war.

In the next while, Smokers' Freedom will be taking a number of measures to strenuously represent the interests of the 6.4 million people in Canada who choose to smoke.

1. It is our intention to move our national headquarters from Montreal to Toronto. We will be opening our new headquarters here effective September 1. By the end of the year we will also have an office open in western Canada.

2. We will be marshalling human and other resources to: commence lobbying of all three levels of government; gather and disseminate information on behalf of our supporters; engage in media relations, promotions, advertising, demonstrations and grass-roots organization in many of your constituencies.

3. This fall, we will see a large-scale membership drive in Ontario, commencing in Metropolitan Toronto. We are now hearing from people in your communities and I am sure we will be hearing from many, many more.

The day when we were able to continue to unfairly overtax the smoking public without being answerable to smokers is over.

Many thanks for giving us the opportunity of appearing before you today. I would be pleased to try to respond to any questions you might have.

The Chair: We have approximately four minutes per party, commencing with the New Democratic Party.

Mr Jamison: Welcome. I thought your presentation very interesting. I think it reflects some of the things that are going on today.

As you may well know, and I am sure you do, I represent a tobacco-growing riding, and my question to you really is on the effects on that community specifically, the growers of tobacco. It seems that all governments have taken the direction to try to reduce smoking by whatever means. Usually it is by whatever means, and that is of course reflected in the tax area quite a bit. I know that you have been in consultation with people from the Norfolk-Oxford-Elgin area where tobacco is grown. Possibly you could let us know what kinds of effects the level of taxation has had there.

Mr Gillies: Mr Jamison, you are quite right. The effect on the farming community in Haldimand, Norfolk and Oxford, throughout southwestern Ontario, is very, very serious. As you represent a tobacco riding and my former riding, Mr Ward's present riding, borders on a tobacco belt, we were well aware of the devastating effects that declining purchases of Canadian tobacco were having. Many farmers, as you know, were forced to leave the field. Many of them lost their farms, there were bankruptcies, and so on. Governments tried, with I think fairly limited success, both federally and provincially, to provide incentives and programs to shift tobacco farms into other types of farming. The problem is that the soil conditions, which are very good for growing tobacco, are not good for a lot of other crops. There have been experiments with growing peanuts; there have been experiments with growing soybeans and some other things. It is simply, frankly, not prof-

itable enough for many of these farmers to convert and able to make a good living.

The other concern I think we have to have is much further we go in terms of tax increases in terms of smoking control policies and so on before the Canadian manufacturers or their parent foreign companies—because often the parent companies are foreign—say, "To live with it," and either cease production in Canada or purchase Canadian-grown tobacco. Then we are left with the worst of both worlds, I would suggest, where remaining farmers could be forced out of business and the market would be filled with tobacco being imported from the United States.

I think it is a very serious situation. Despite some very meaning federal and provincial policies to try to convert tobacco growers to other crops, I really think for the most part those programs are doomed to failure. There is no other crop that will grow in that kind of sandy loam soil that would be profitable in the same respect as tobacco.

Your constituents who are presently growing, the ones who have survived, I think you would agree, Mr Jamison, are doing all right now. They are doing better than they were doing five or six years ago when there were many more farms. But I think the future could be pretty bleak for tobacco unless some of these trends are arrested.

The Chair: One minute, Mr Sutherland.

Mr Sutherland: Obviously you are well aware of the situation and you understand how government operates and you understand that taxing of tobacco was something that went on when you were here and as part of the government. How do you reconcile your new role—and I realize that you are the advocate for this group—based on what we had last week from the Canadian Cancer Society where there is still a great deal of concern out there? How would you reconcile them in terms of public policymaking to deal with that issue and find the resources, since health care takes up one third of the budget, to deal with the impact of tobacco?

Mr Gillies: First of all, you are quite right; this is a new problem. It is one we faced when I was here and I dare say it is one that you will face for many years to come in terms of various government programs aimed at restricting smoking vis-à-vis the taxation. There are a couple of things, though, that we should remember.

Federal and provincial taxes now on cigarette production account for \$7 billion annually in taxes. I think there was a day when what we call the social cost argument may have been valid, that the aggregate taxes on tobacco production were needed to cover what were perceived as the health and social costs related to smoking. The numbers just do not add up any more at all.

We have seen a number of studies, one done by a former assistant deputy minister of Health and Welfare Canada. There are no numbers around, that I have seen anywhere, which would indicate that the health-related costs, if you accept that all the categories of ailments the cancer society, for example, would say are associated with smoking, are not saying I necessarily accept all of them, but if you do accept them—the most you could possibly account for in Canada would be probably \$700 to \$800 million

s to the system. You are talking \$7 billion in taxes. We initiated another study, which I hope will be finished by the fall, to try to get some more up-to-date and accurate statistics on that, but it simply does not add up. The costs associated with smoking, by no estimate that I have ever seen, come close to approximating \$7 billion. They are not far off.

Mr Sutherland: If I can just ask one point, does that include lost days of work and things like that? I am just wondering how you got that figure, because it seems low. Is it the \$700 million to \$800 million.

Mr Gillies: Yes. Actually, when I saw it—I am referring to the Laframboise study—frankly, it seemed a little low to me. Just so I can quote it to you, for a pack-a-day smoker in Ontario, the taxes amount to approximately \$598 a year. By his calculations, the health-related costs add total \$200.75 per year per smoker. So you see there is a considerable gap there. He went so far—and I might add I am quoting here, I would not go so far as the former Minister of Health and Welfare did when he said that “if you follow the health cost logic, in fact smokers are subsidizing the health care system for non-smokers.”

The Chair: Thank you. It is time for the Liberal Party. Mrs Sullivan.

Mrs Sullivan: I was interested in what you had to say about the underground economy. Knowing that about \$1 billion of provincial revenue comes in each year through the tobacco tax, and the new tax is anticipated to bring in additional moneys with the declining consumption, what do you estimate the size of the underground economy at to be, consequently, lost revenue for the province?

Mr Gillies: There are number of estimates, but I will refer to one here which I think is quite reasonable. This is actually, I think, pretty low. This particular document came out in the early spring, and again, we are talking about, for the most part, Canadian cigarettes which are manufactured here, are exported without the tax and then are being smuggled back in. It is our own product being smuggled back in. The estimates are that type of smuggling is up 10% over last year. A very low estimate is that the illegal cigarette trade in Quebec alone—so we have a population slightly smaller than Ontario—accounted for about \$116 million in lost revenue last year to that particular province.

Mrs Sullivan: Lost tax revenue.

Mr Gillies: Now, there are other estimates I have seen that are as high as \$350 million. I guess it becomes a question of diminishing returns. If, by the province's own estimates, the new increase this year would bring in something shy of \$350 million, considerably shy of that, by raising the tobacco tax again, are you just driving that many more people to buy the illegal product? Are you in fact just encouraging tax avoidance, as opposed to collecting that much additional revenue? I think it is open to question as to whether, by further increasing, the province is going to collect any more revenue on cigarettes than it does at the present level.

Mrs Sullivan: Does any of this smuggled product carry the tax-paid band?

Mr Gillies: No, very little of it does. What happens is it is legally exported into states which have a lot of Canadian visitors; not just the border states I might add. You can find Canadian cigarettes all over Florida too and, I believe, in California. They just go down there.

Ontario taxes and federal taxes account for 74% of the purchase price of a pack bought here, so you can well imagine that they are sold much cheaper in the United States, maybe \$14 or \$15 a carton. So it is good business. It is good business for a smuggler to bring them back into Canada, even if he pays full retail down there. If he sells them for \$20 or \$25 a carton, he is laughing. It is very profitable.

If you check with some of the senior law enforcement officials of the crown, the big concern is that it started off with small smugglers. It was people bringing, you know, a couple of cases back in a secret compartment in the car, or things we were hearing about boats going across the Niagara River, that type of thing. It has gone well beyond that now to organized crime, the Mafia. I do not want to sound overly dramatic, but very heavy-duty criminal elements are getting into this. It is going to start to get nasty. We have had a number of retailers say to us lately that they think a corner store which sells tobacco products in this country is becoming a very dangerous place to work. There are robberies, there are more violent robberies, and it is causing a great deal of concern.

Mr Runciman: I think you have made some excellent points in respect to your case. I share your view that it is out of whack. I am wondering how you sell this. I know a number of points you have raised are good selling points, but to the average citizen, as you pointed out, there are about two million smokers in Ontario, so we have about seven million who do not puff. The question of this being a sin tax—we know you do not have to smoke to survive, etc—how do you deal with that?

Mr Gillies: I am glad you asked that question, because in the present climate, I can tell the honourable members, you are on the side of the angels on this one. Public attitudes, even on sin taxes, have changed dramatically.

As part of the national cigarette tax protest which has been going on, CTMC has been doing weekly polling through Canadian Facts, a research firm, and it is very consistent. The vast majority of Canadians in the present climate feel that tobacco taxes should either be left as they are or rolled back. I can give you the figures for week 7 of the campaign, so this is as of July 11.

“Statistically valid survey across the country: Should tobacco taxes be rolled back?” Forty-four per cent say yes. “Should they be left as they are?” Twenty-eight per cent say yes. “Should they be increased even more?” Only 18% say yes, and then 10% do not know.

It is actually a very small minority of Canadians, quite surprisingly, because it is a minority of Canadians now who do smoke. But the vast majority of our citizens now say enough is enough, you do not need to put those taxes up any

more. If you were to vote against the tobacco tax increase in this budget, public opinion is strongly with you to do so.

Mr Sutherland: I would be interested to know if you asked them if you were going to replace the sin tax with income tax increases, whether it would still be that high.

Mr Gillies: It is a good point, but if you could also show them that by leaving the tax as it is, in fact we do not believe the province will forgo much revenue, because every time you put it up in the present climate, you are going to increase smuggling, you are going to decrease the purchase of legal product. I am not at all sure it would not just about net out.

Mr Runciman: Mr Gillies, I do not undermine your submission, because I agree with it, but I am curious, as a member, about how your organization is funded. Do manufacturers participate in the funding?

Mr Gillies: They do. Our organization has three primary sources of funding. We do get an annual grant from the Canadian Tobacco Manufacturers' Council. We receive funding from the tobacco-related unions across Canada, province by province, and we receive funding from our supporters, just ordinary people across the country, of which there are presently about 8,000.

Interestingly enough, because the history of our society is that it was based in Montreal, about 60% of our dues-paid supporters are in Quebec. We are undertaking a recruitment drive and a lot of activities in English Canada to double, I would hope, that number of supporters in pretty short order.

The Chair: Thank you, Mr Runciman. Thank you for your presentation, sir.

Mr Gillies: Thank you very much for your kind attention.

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YORK UNIVERSITY

The Chair: Our next presentation is York University, Sheldon Levy, vice-president, institutional affairs. The process is for you to give your presentation. Whatever time is left from the half-hour will be divided equally among the three parties to ask questions.

Mr Levy: First, let me thank you for the opportunity speak with you today. There are few occasions when the university is at the top of the public agenda. The day in June when our children wait anxiously for the letter to find out if they have been admitted to their chosen program and university is one of those days, and a few years later when, as parents, we are bursting with pride when our children file across the stage to receive their degrees is another one of those days.

I really am hopeful that today is also one of those occasions. I understand the difficult position in which you find yourselves as you wrestle with the government's books and try to figure out how to do the difficult job of supporting all the claims upon the public purse.

I am hopeful, because in recent years we have only been able to grab the public agenda when you have reacted to our overflowing classes or our closed doors, but today your invitation for input from the universities means that changes facing our society and our economy need a proactive

approach and that universities are considered important players in the economic wellbeing of the province as we approach the 21st century.

Because, of course, things are changing. In the universities this is reflected in the fact that over the last 30 years student attendance at universities has increased fivefold. A statistic I do not think very many people have ever thought about is that in the same period of time working attending universities have increased from 12,000 in 1961 to over 100,000 today. During this period York University was born, and it is now the third largest university in Canada with over 40,000 students.

More than half our students are women. We are proud to report that 40% of the students in our faculty of science are also women, and we are equally proud to report that 20% of York students now come from visible minorities. One third of all our students speak a mother tongue other than English and 70% of our students will be the first university graduates in their families.

This is clearly a record of increasing demand and working towards greater equity. We are obviously offering something that people need and want. If we were looking at the record of an industry, we would also expect to find over the course of the last three decades considerable resources were put into the expansion, to build new factories to hire new people, and to make sure we were producing what the market demanded.

But the truth is that at the same time as this phenomenal growth has occurred, funding for universities has increased at the rate of inflation, a fact much heralded reflecting a steady increase in the amount dedicated to post-secondary education. But when you place this steady dollars against the huge increase in enrolments, resources dedicated to handling that demand have in fact declined 40% on a per capita basis, and Ontario has achieved the unenviable distinction of near-bottom ranking among the provinces in funding per university student.

What is most interesting is that all indicators point to increasing pressure being placed on universities by public, industry and government to continue to do more, place high priority on training the scholars, leaders, managers and technological forerunners of tomorrow. Statistics Canada data show the unemployment rate of university graduates at 4% compared with 12% for those with a high school education. Business leaders are on record insisting that the economic future of Canada relies on a strong university system, and governments rely on universities to serve the social and economic priorities which require the underpinnings of education and knowledge.

We acknowledge our role and our responsibility. For research and education emanating from a strong university system are an investment in the future both for the individual and for the overall economy. Universities are willing to take on the challenge of developing a curriculum for the 1990s, and beyond that integrate technology into the way we do things. We have to provide our students with the knowledge and the tools to make our society competitive on a global scale. And we have a social mission to make higher education accessible to all who can benefit, without limiting opportunities or unjust differentiation.

he point is that the expectation and the reality simply do not add up. Demand from students, including women and minorities, is increasing, and governments are insisting that the demand be accommodated. But funding for universities is declining. There is no question that a university education is a valuable commodity and more and more emphasis is being placed on acquiring the set of skills only university education can provide. Business, government, technology all look to universities to provide ideas, training and increasingly refined students to society and the workplace, but the priority placed on the provision of a university education results in support for Ontario universities ranking near the bottom compared to the other provinces, and worse compared with the United States.

Our chief competitors in the United States have realized that a university education is essential to progress. In the United States, for example, university per capita funding has risen 35% at the same time as Ontario funding has declined the same amount in the opposite direction. And the research shows that in the United States it is recognized that this level of funding is still not enough.

It is simply not possible to offer expanded opportunities at the same time as budgets are declining and capital support is dwindling. We cannot meet our social and economic commitments when we cannot convince you to accord university education a higher priority. The inability to compete for the best faculty, the inability to utilize and develop the most recent technologies, the inability to offer the basics; books and space for learning, will all contribute to an Ontario deficit, the impact of which will be much more than just economics.

Nowhere is the lack of opportunity to be more obvious than in the greater Toronto area. Data from the Treasury, from school boards and our own analysis all point to a looming crisis. Eighty three per cent of the secondary school students will occur in the GTA. The ministry's study shows that in order to accommodate this growth, York alone would need to grow by another 16%, double the system size, by 2011. So far we have worked hard to meet our bottom line each year, even in very tough financial times. We have made major capital investments over \$150 million without generating long-term debt, and we have done this while facing a funding decline of 40% per capita.

But we are suffering. We are losing the competition to attract and hire the best professors, and as the professoriate shrinks this will become a critical drain. We have had to cut down on the hands-on time we can provide students in our laboratories. We are cancelling library subscriptions to periodicals and books we just cannot afford to buy, and after working with our surrounding community to develop the kinds of relationships that are needed and beneficial, we are having to scale them down. This year we have cut budgets yet again by 2.7% to 5%. Over the next three years, we are committed to a further decline of 10%.

Sure, there are places we can save money, and we will, but the fact is that our students are not getting the level of quality in a university education that they need to achieve their goals and your priorities. If it matters to you to have your children educated by the best professors, with access to the best laboratories, studios, libraries, classrooms and

ideas, we have to address priorities and funding. In the face of increasing and demonstrable demand, somehow support for universities has and continues to be a low priority for the province.

All evidence to the contrary, the perception of an elitist system which is not part of the mainstream of Ontario society still persists, and we are most perplexed by the fact that this perception appears to be held in part by those who are products of our system.

Check the facts and you will find that universities have done a remarkable job of providing educational opportunities at a very low cost to this province, and we have seen our priorities slip to last place in our country. We need you to help us move in the only direction we have left to go, to become a first-rate system that promotes opportunity for everyone.

I would be more than pleased to answer any questions you have.

The Chair: We have approximately five minutes per party and we will begin with the Liberal Party.

Mr Kwinter: I was taken with the relationship that you made to American universities, talking about their level of funding compared to ours. Is that York University compared to state-run universities as opposed to private universities?

Mr Levy: There was a report done by the Council of Ontario Universities that looked at Ontario versus state versus private. In all cases, the Ontario system fell at the bottom. If I could, I would like to give an example. We visited the University of Pittsburgh a couple of weeks ago on a joint research project. The University of Pittsburgh, coincidentally, is almost exactly the size of York University, and it is next door to Carnegie-Mellon in Pittsburgh.

The University of Pittsburgh bemoans the fact that Carnegie-Mellon is rich. The University of Pittsburgh has an operating budget of \$720 million. York's operating budget for almost precisely the same number of students is about \$200 million. There is a 300% difference. Now, Pittsburgh is a semi-private public, where they get private support as well as public, but the fact is that we are very far behind the States.

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Mr Kwinter: The next question I have, related to that, is that you are talking about support from government. How does that relate to tuition? Also, could you comment on Queen's formula proposal and what you think of that idea?

Mr Levy: Okay, but there are two different sets of questions.

Mr Kwinter: One leads from the other.

Mr Levy: If you compare tuition rates at the private universities to Ontario, naturally they are 15-fold or 10-fold higher, so they are a lot larger, and then when you are in the public sector, the tuition fees all of a sudden become much closer to the Ontario rate, so it is a mix. It is quite dramatically different in the States between private and public.

The Queen's proposal was supported, I would say, by every one but perhaps one—I cannot even think—of the Ontario system last year, because part of it was a commensurate

support by the province. It would have been funding that would come from the province and from additional fees, and at the same time a recognition that the support for students to be able to afford the larger fees would be a commensurate follow-up through OSAP or a revised OSAP.

So the Ontario system, I think, has put on record that it is, as a university system, supportive of a combined effort between students and government and ourselves to improve the financial state and the health of the universities, with a recognition of the very high importance we put on ensuring that this does not keep out students who, for reasons, could not find education affordable.

Mr Kwinter: Do you have any idea of how many Ontario students are going to the United States for their education?

Mr Levy: I do not know in volume, but I do know that there was a study done that showed that a large proportion—I do not want to quote a number because I do not have it available—of the very best students were going to the United States, because they were given offers and opportunities that no Ontario university can compete with. I cannot say to you that it is large numbers at all, but I am confident to say to you that the proportion of the best students that are heading to the States to get their education is non-trivial.

Mrs Sullivan: I wanted to ask you about the conclusion you have come to relating to future enrolment requirements at York from students coming from the GTA. Certainly one of the things we know about the secondary level is that the schools are in the wrong places, and that is why there is an enormous pressure in the greater Toronto area for secondary schools, but the proportion of young people in society is not, in fact, increasing that substantially. I would have thought York's attraction is not necessarily only to GTA students, that at the university level there is a high mobility among students that is not reflected at the secondary or elementary levels.

Mr Levy: There are two facts. One of them, just going by Treasury data, demonstrates very clearly that the flow of the population from Ontario to the greater Toronto area is going to increase by 2011. About 80% of York University's intake is from the greater Toronto area, so we are a very local university.

Mrs Sullivan: But does that necessarily have to stay the same?

Mr Levy: Partially the explanation is that about 40% of our enrolments are of a part-time nature, of mothers and fathers with families who are coming back to university. Opportunities for them to go to other universities is just limited, so it is either York or the University of Toronto or no university.

Mr Stockwell: A quick question: You made the comparison to the University of Pittsburgh with a \$720-million annual budget and York at \$200 million. Can you give us an average tuition fee for each?

Mr Levy: York's tuition is around \$1,800; Pittsburgh, for in-state students, is about the same, and for out-of-state students it is much more comparable to what we call our

foreign student fee, because they look at out-of-state students as essentially foreign students.

Mr Stockwell: You are saying about US\$1,800.

Mr Levy: Yes. That is not like Carnegie-Mellon University which is next door. It is their state university so about comparable.

Mr Stockwell: Comparing Canadian dollars to American dollars.

Mr Levy: It is not a large difference in the two.

Mr Stockwell: When I talk to business, the last thing it asks me to do is to raise taxes. If we are going to look for a real influx of capital, money, to universities, they are going to have to get the money from someplace. Other than taxes, where do you think we should raise money?

Mr Levy: We have made a couple of suggestions, let me first say that raising taxes to provide opportunities for young people, even in these times, does not seem to me to be a bad thing to do.

Mr Stockwell: Maybe not to you, but to the business community it is not a really exciting thought.

Mr Levy: I can understand that, but they are the beneficiaries to a large extent of the products and they are the ones that are—

Mr Stockwell: I agree, but the way we are looking at business we are not going to have the beneficiaries around to take advantage of all these wonderful—

Mr Levy: I will answer your question rather than debate. We have also proposed what is available in places like Australia, which is a contingent repayment program. What that does essentially is increase the tuition, provide a loan to students that is payable through an income tax; that is, those who are the beneficiaries of the post-secondary system pay it, but they pay it through their income when they are able to afford it.

Mr Stockwell: Is this over and above what they would normally pay in income tax?

Mr Levy: That is right. It is a loan payment, and those who benefit pay it and it is commensurate with their ability to pay through the income tax system.

Mr Stockwell: What is the recovery rate?

Mr Levy: It is extremely successful.

Mr Stockwell: That sounds reasonable as long as it is extremely successful. The trouble is it is not extremely successful now, as I understand it.

Mr Levy: We do not have anything like a contingent repayment program that works through the income tax system, because it works through OSAP, and there are problems with that. But this is directly through the collection of income tax by the federal government.

Mr Stockwell: That is interesting. Anything that would raise revenues and increase your budgets without increasing taxes, I think would be somewhat interesting to review.

Mr Levy: Along with the fact that students can get loans who could not afford to go, and they pay it when they are able to afford it through the income tax system.

Mr Stockwell: Then you could raise tuition too.

Mr Levy: That would provide the revenue. We have, as, put that one on the table for consideration as well.

Mr Sutherland: Thank you for coming today. This is the first time I have some experience with, being involved with the student council at the University of Western Ontario. I know the reputation of Western towards other universities. Let me say, looking at your York Gazette, that if you are attracting students of the nature of Sasha Courville, I know and spoke at her leadership conference, you are certainly doing many things right and getting some top-notch students.

Mr Kwinter asked about people going to the United States. It is my understanding that it is, as you said, some of the brightest, but more going at the master's level, the post-doctorate level and the post-doctorate level, and that is where we are losing a lot of people to the United States.

Mr Levy: The very brightest students at all levels, at the master's and doctoral levels certainly. A lot of universities just cannot compete with what the American universities can provide.

Mr Sutherland: I thought your points were quite interesting about the funding levels. I have seen some of the support that support what you are saying in terms of the state universities receiving more funding. I do fundamentally agree that if we are going to deal with the issues of competitiveness, we need to increase funding for the post-secondary education system, both for universities and colleges. I think that goes without saying.

I wanted to ask what York is doing in the area of collaboration with some of the community colleges, and maybe somewhat with some of the other universities. It is always my sense from a lot of people I know from a school who transferred from university to university that it was a bit of a quagmire getting certain universities to accept other credits, because of the independence of the existing courses. What is York doing in that area?

Mr Levy: Between universities and colleges, we have made a considerable amount of progress that, I have to admit candidly, was long overdue. We have, for example, a co-operative effort in the Durham area between Durham College, Trent University, Ryerson Polytechnical Institute and York that put on a program that allows students to transfer between the different universities with considerable ease. We are trying as a co-operative to fill an educational gap in a large, growing area that has no local accessibility to university education, and we are building alliances. I think there is a considerable way to go in that. I think a lot of the problems that have existed are coming down, but I do not want to pretend that it is perfect harmony at the moment.

Mr Sutherland: Let's take a first-year sociology class. Can you give us some indication where the class size would have been 10 years ago versus where it is now?

Mr Levy: I know what you are getting at, so let me try to characterize it rather than being exactly specific. It is more than class size. Let me tell you what it was like maybe 20 years ago. Twenty years ago a sociology student

would have the probability of being in front of a full-time member of faculty, probably in a class that was in the 50s, probably with an opportunity for a tutorial after the class, and almost certainly would have an essay-type question, a writing requirement in the course that would have considerable criticism by the full-time faculty member of the quality of the work done.

I would say that if you look, not at York but at a random university today, the probability is you would have a very high chance of finding maybe a full-time faculty member, maybe a part-time faculty member, maybe a graduate student doing that course. The course would be 100 and something. There would not be a tutorial hour after it and those who most need the extra help would not get it. If there was an essay question, you would not get the critical content you would have 20 years ago. I do not think that is a York-specific phenomena. Perhaps Western and York are no different in that regard.

Mr Sutherland: Have you had to eliminate some of your essay courses because you cannot afford the funds for markers or because the class size is so large? I know we hear a lot about people's writing skills coming out of college and university, that they are not what they were 15 years or 20 years ago. Are we seeing that type of thing occurring at York as well?

Mr Levy: I have to say to you, no. We put literacy, writing and mathematics, so high on our agenda that everything will be cut, I think, before that. It is sad in some ways to read reports that give you and the public the impression that universities only care about graduate students. The care of the undergraduate students in writing courses and literacy courses is quite profound. We put a very large proportion of our resources into writing, and it has not gotten bad to the point that we would—I do not know what we would do. It would be such a philosophical problem for us that I do not know how we would deal with it, so no is the answer.

The Chair: Thanks for a good presentation, showing that even though we have a \$9.7-billion deficit, there is still a lot more that we have to do as the government.

Mr Runciman: On a point of order, Mr Chairman: I wonder if it would be possible to try hearing this next submission with the air-conditioner on for a few minutes. If we cannot hear the witnesses, then we will have to turn it off, but it might be helpful to all of us if we cranked it on for a few minutes.

ONTARIO COALITION FOR BETTER CHILD CARE

The Chair: Our next presentation is from the Ontario Coalition for Better Child Care; Janet Davis, president. I do not know if all of you can sit at the table because there is only—

Ms Davis: We figured out a way we could do it. We figured it was late in the day and you have probably been listening to dry briefs all day long and we would like to liven it up a bit.

Mr Runciman: As long as it is not against the law.

Ms Davis: We would like to welcome the opportunity to let this committee know what we think about the budget. We would like to start off the top to show you in a concrete, symbolic way what we think about this budget. As you probably see, what you have tied on your microphone is a shoelace or a shoestring.

Critics, particularly the members directly opposite me, have said since April 29 that this is an exorbitant, extravagant budget. We would like to differ. We think it is a shoestring budget. We believe that in child care we have for too many years been operating on shoestring budgets, and in fact the budget we have this year will continue the practice of juggling budgets. We know all about shoestring budgets. We know that with shoestring budgets you have to choose your priorities.

We were pleased that this government did not take the route of other provincial governments and drastically slash its social programs. We had seen other governments doing more draconian things.

Actually, I am not going to follow the brief. It is there for your information. You can listen rather than read it. We prefer it that way.

The deficits that have been created, as most of you probably have heard from other deputants, were mostly a result of the lack of transfer payments from the federal government. We have deplored the kind of economic policies that are being pursued by the Mulroney government, particularly the reduction in transfer payments in social programs which have an impact directly in Ontario and specifically on child care. We know that all the expenditures at the provincial level now, with a 5% ceiling on the Canada assistance plan, will be coming out of entirely provincial and municipal dollars, and this government is struggling with how to deal with that.

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But what we are here to say is that we have to continue to spend more money on child care. We are facing a continued crisis, worsened by the recession, and we would like to give you an opportunity today to hear from the people who are actually struggling day to day with the kind of budget restraints that we are.

I want to say as well that the January 31 announcement by Minister Zanana Akande was positive. We felt some relief that there was going to be some movement on child care. However, the three main planks of the announcement have yet to be fully implemented.

The down payment on pay equity to the non-profit sector: We were very pleased there was recognition that there needed to be immediate salary enhancement. However, the down payment has yet to reach the hands of the people working in child care. We are not sure as yet how much and when and if, so we are extremely anxious to see that this money is forthcoming.

The 5,000 subsidized spaces: While they are minimal as far as we can see, there is tremendous need for subsidies for spaces still not taken up across the province. We think there is only about a third of the spaces taken up. Many municipalities are in the position of not being able to cost-share the subsidies available to them, so we again recog-

nize that there are some fundamental flaws in the child care is funded.

The commitment from this government to reform child care is also positive. We hope it is not going to be atracted process where we consult for 16 months and think about what people have said and finally get around to doing something by the end of the term. We expect to want to see some significant reform in the short run.

I must say about the budget itself that, because of delays, we do not actually have, to date, even the amount of the allocations for child care. We have heard, however, that the overall budget is higher than it was last year. But it appears as though the capital allocations have been cut completely; the program development fund, money, which is intended to expand child care, looks though it has been cut almost completely; and both these initiatives mean that the expansion of child care has been absolutely curtailed. We are extremely concerned about that and we are actually quite angry that this kind of information has not been made available to us to date. The former government in fact allocated \$20 million in capital money each year, and it looks as though we are not even going to get that for child care this year. We have not seen any horrific cuts. We obviously, though, are experiencing significant reductions and we are not going to be able to do any major reform or any expansion unless additional funds are available.

I would like to turn it over to my colleagues and fellow members to explain the kinds of situations they are living with daily.

Ms Yardley: My name is Monica Yardley. Over the last three years I have been chairman for the parent advisory board committee which meets once a month to discuss policies and issues that affect the day care at Stephen's and King Edward. I am also here as a single parent to speak on behalf of many single parents who I am sure are out there.

I am fortunate. I am a bookkeeper and I work for small architectural companies. I have a job, but without subsidized spots I would probably be on welfare. I am sure there are many single parents out there who would like to have affordable quality day care, but without subsidized spots they cannot work and as a result they are not being able to live satisfactorily or put their children anywhere so that they can do this.

I know there are 4,200 licensed vacancies in Metropolitan Toronto now, but they are not subsidized vacancies. I am aware that within our own day care the infrastructure is going to suffer considerably. Without any parents being able to pay the full amount of fees, day cares are going to have to cut back on quality, meaning cut back on the staff time, just a lot of issues that are of concern.

Second, my other point I would like to bring up is that as the chairman of this committee for five years, I am aware that the minor capital expenditure allocations for renovating the playground at King Edward have always been promised and bumped to the following year. This has gone on for five years. I am curious to know what kind of funds will be allocated for this, especially this next year.

Ms Skuly: My name is Mary Gabriele Skuly. I am in the region, at a centre called St John Boscoe. Since in St John Boscoe has struggled. We are in a middle-neighbourhood which is mainly mortgage-heavy. In other words, to say, we do not access a lot of full-fee families because they just cannot afford it.

We also had a hard time getting a purchase-of-service agreement with York region because it was in a deficit position with quick expansion of child care in the region. York region chose not to access any of the 5,000 spaces. It chose not to access 250 spaces that the provincial government was going to give it in 1990 because it could come up with 20%. We are still in operation because the provincial government gave us a grant to carry us through, but it is going to be a tenuous operation. We are quite sure what is going to happen with this centre.

We are here basically to ask for your help. We need money in this system. Families can no longer afford child care. There are many empty spaces. There are 1,500 children in York region sitting on a fee assistance list. There are 926 vacant spots in York region. The province has talked about pay equity to non-profit child care workers and to date we still have not seen any money and we do not know when it is going to come. The province is committed to non-profit centres and we just do not see any alternatives for these commercial centres to convert. It is obvious that there is not enough funding.

Ms Marshall: I am Cecilia Marshall. I am a single parent from Jesse Ketchum Child Care Centre. I have two children: one is 10 and the other is four and a half.

I have been with Jesse Ketchum for close to seven years now. It is attached to Jesse Ketchum Public School and provides approximately one third of the population of the school.

The present condition of the building, which was built in 1912, is deteriorating, but unfortunately there are no extra funds available from the province. Without these funds we cannot meet the building codes and fire regulations and, therefore, our licensing standards. My concern is if we do not meet these licensing standards we will be shut down.

I would just like to add that Jesse Ketchum is Canada's largest day care centre. We made it through the Second World War and I am hoping that, with your assistance, we can make it through this next budget.

The Chair: There is more. Sorry. We have approximately 15 minutes left. If you want the panel to ask questions, please keep that in mind because we may wind up saving time for only one question per party, and if it goes full length, no questions at all.

Ms Hepworth: My name is Gael Hepworth. I am here to tell you as a taxpayer that I am a very angry taxpayer. I have heard rhetoric from my politicians over the past five years about how they are willing to get serious about women's issues and helping families out there and are serious about the day care issue. As a consumer out there, the reality is it is not true. I am a full-fee parent. I have paid full fee since I had my child three years ago. Today I

figured out somewhere in excess of \$40,000 will be spent by my husband and myself paying child care fees up to the point where he is four years old and he is eligible to go to half-day day care.

What happens out there in the day care system is that because the funding is so spotty, it is very difficult to get a child into a quality day care centre. I moved my child out of a profit day care centre into a non-profit day care centre recently, looking for a better quality of care. I find that because the funding is so spotty across the province, and the inconsistency of approach, it is difficult to get your hands on. Your administrators spend all of their time accessing money from full-fee parents or partial-fee parents and trying to make their budgets meet and still at the same time to deliver a program that is outstanding to the children in their care. It is outrageous.

In terms of women being able to function in this society, you talk about training being important. I tell you, we cannot access training unless we have good, quality child care. We cannot access whatever it is that this society has to offer unless we have access to good, stable, quality child care. The only way that will happen is if we provide a stable funding base for these administrators to get on with the job of providing good, quality child care for all children in Ontario.

As a parent I feel penalized by the fact that I chose to have a child. We are more than capable of sustaining the cost involved, but at the same time I spend my time going out to find that there are thousands of people on the waiting list for child care. Because they cannot access subsidies, the spaces are not full in the centres and the staff get laid off. It becomes a very difficult operation to keep running. It is not a lack of demand; it is a lack of political will on the part of the leadership. You are the leadership and I want to know why you are not putting the money where it needs to be. This is a service that is required by the taxpayers and I do not think we should carry the burden for ever and ever.

Mrs Smith: My name is Carol Smith. I am here today to represent Direction 2000, which is a non-profit organization whose overall goal is to assist interested parents and community groups to develop viable non-profit quality child care. That goal is founded upon the following principles: that quality child care is founded on a thorough understanding of development; that parents have both a right and a responsibility to participate in all aspects of their children's upbringing; and that child care is a family support service, a community service, and must reflect local needs.

Our concern is that there is no commitment in this budget for program development funds, and it is program development funds that allow us to assist the community. Our organization has been without funding since June 30, so our projects are without the support of a consultant and I am without a job. We offer a vital service to the community, one that ensures the fulfilment of our goal. We believe this government wants to be responsive to community needs, this government wants to form a partnership with the community and this government is working towards a reformed system. However, you need to be a good partner to the child care community that now exists. You cannot abandon this system while you are working on a new one.

While I was thinking about the presentation—and someone earlier said you have a lot of dry facts being offered to you—I tried to think of a way to illustrate my point. At the moment there is a circus in Toronto. No reflection on this group, but to the child care community it rings true. Picture a circus where just recently the ownership changed hands. The new owners want to be responsive to the community, make some changes, build a better circus, so they look at what they can do; add more animals, more acrobats, more clowns. They study it, they meet with their patrons and they study it some more. But at the top of the tent, the high wire act is still going on. The participants—read child care community—are walking the tight-rope. They are juggling dollars, enrolment and staff. Others—read new centres—are swinging out on trapezes and reaching out for supportive hands and finding none. It will not be long before they will all tumble to the ground because the new owners forgot to put up the safety net.

The system as it now stands needs that safety net. They need to know that their partner is not just paying lip service to the partnerships.

Direction 2000 asks that you consider the negative consequences that the lack of program development funds will bring to the child care community as it now exists. Our children, our families and our communities deserve your support.

Ms Willard: My name is Mary Willard. I represent the York Region Coalition for Better Child Care. I would like to reiterate that we feel it was a very positive move in the right direction when pay equity was awarded to child care workers in non-profit centres only. There is a very high percentage of the child care centres in York region that are commercial. Where are the incentives to encourage commercial centres to convert to non-profit? Enough centres are willing to convert to non-profit. Where are the funds to make those conversions possible?

Ms West: My name is Cheryl West. I supervise the Pat Schulz Child Care Centre, located in the City Adult Learning Centre in Toronto. The City Adult Learning Centre is for students 18 years and over who return to school for their high school diploma. This year the enrolment is projected to be over 2,000 students. The Pat Schulz Child Care Centre is an infant-toddler centre with 25 spaces, located in the same building. Two thirds of our spaces are prioritized for children of students, and our waiting list, updated just this July 1 through 16, has 197 children waiting. Some 169 of them are in need of subsidy; 28 of them are full fee. At least 80 of those 169 are hoping to be students this September, of course, depending upon child care.

As September approaches, I receive at least four calls a day from students hoping to go to school this fall again, depending upon their child care. I take their names and I advise them to call Metro children's services so that they will be considered for eligibility for Metro subsidy. That waiting list I believe to be 11,000 children long. This is most discouraging for these young women trying to build futures in Ontario.

In January 1990, the student body at the City Adult Learning Centre signed a petition requesting that we ac-

commodate preschool children. The principal agreed that time that there was the need and he allocated space for the project. We applied for money to the province to renovate and start up the program, but we were told that there were no funds available in 1991. In fact, I believe the Toronto area office is not even accepting applications this year. The amount of relief made available for child care by the current government's budget is a pinhole of light in a long, dark tunnel for students, primarily women in families I speak with each day.

In addition to the crisis that we face regarding the lack of money to fill the existing spaces within the community, the new dilemma we will face will be competing for qualified staff as public sector pay equity settlements put pressure on private non-profit centres to keep salaries at par with municipal centres.

As a supervisor of a centre, I feel and see the hardships and strains on social services through the families I speak with, as well as the staff and problem-solving I have to do every day. The waiting lists speak to the need of the people of Ontario for a provincially funded child care system. As you review today, be mindful that many of these families have been waiting a year or longer for child care, that their operations are currently funded on shoestring budgets and that we need a directly funded provincial system in order to avert the closures we are now facing across Metro Toronto.

I would just like to add that the child care community as well as myself, would welcome these hearings at a federal level, but it is shameful that we are spending tax dollars on this review today.

Ms Davis: As you can see, we are struggling daily with the crisis in child care. The problems have existed for years. We have had Band-Aid solutions posed to the child care community each year for the last several decades.

I also want to reiterate what Cheryl has said. Why are we even examining the expenditures on social programs beyond me. Of the total \$9.7-billion deficit, \$1.5 billion goes to new programs. The rest is as a result of cost-sharing shoestring budgets. It is outrageous that we should be spending this time and this energy questioning the expenditures of this budget.

I want to reiterate again that there is a great deal of support for a reformed child care system, there is a great deal of support for the agenda of this government, and all we can say is get on with it. Put aside this dithering over whether this is the appropriate way to go. There are too many people who are suffering as a result of delays and as a result of non-implementation of programs, and we just want to say again that this is not an exorbitant budget, it is a shoestring budget and we need more.

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The Chair: We have time for one question per party beginning with the New Democratic Party.

Ms M. Ward: I have questions. Which one shall I choose? Conversions, perhaps. We had a group of private day care operators in yesterday, and some of your members were mentioning that. I got the impression you feel it is a good idea. They seem to be vehemently opposed to even considering it. Do you have any comments on that?

st another quick comment: I think there are quite a spaces available right now. The subsidies are not That should spur them on to consider that.

Ms Davis: There are a number of answers I could give to that. One, I support the NDP's position that we need to move towards creating a non-profit system in Ontario. We need only look south of the border or to Alberta to look for the experience of other jurisdictions to see what happens when we have a large commercial sector in child care. What we need to do is to begin now, while the sector is still small enough. One quarter of the centres are commercial. The remainder of the spaces but a quarter of the sector is for-profit. We need to look at putting in place incentives to encourage that conversion take place.

It is a question of quality. Despite the fact that the commercial lobby may tell you there are no differences in quality, there is a large body of literature, and a report recently prepared by the ministry which was a review of the research done that shows categorically that the quality of care in the for-profit sector is likely to be poorer. They do not say that they are all bad and that all the non-profit centres are great, but overall, if we want to move towards creating a high-quality system of child care, it has to be non-profit and public.

Ms M. Ward: Is that report recent?

Ms Davis: Yes, it is called Factors Related to Quality in Child Care, produced by the Ministry of Community and Social Services. If you look to the European experience, we are not just talking about social democratic countries, the commercial sector is virtually non-existent in Europe. They are miles ahead of us in taking the route that we need to take to create a high-quality system of child care.

Mr Phillips: The Agenda for People I carry around with me all the time. I think I have even mentioned to you that this is because it was the—

Ms M. Ward: It is dear to his heart.

Mr B. Ward: You are going to memorize it.

Mr Phillips: It is the document that was essentially the commitment that was made to people like yourselves, I think you felt very strongly about it. I am listening intently to what you said about the implementation of that agenda, which I think called for 10,000 new spaces, pay more for your sector, and all right away, I think.

As you know, the budget is not being held up; the agenda is implemented. This is just a hearing now on what people think of the budget, so nothing has been delayed on. What explanation do you get of the fact that virtually none of the agenda, if I understand your comments, has been implemented? What is the answer you get when you ask the minister that question?

Ms Davis: You know the answers. It is a question of dollars, and there are not sufficient dollars to implement the programs they would like to implement. It is obvious.

Mr Phillips: But their document, the Agenda for People said we were in a recession last year. I am just wondering what excuse you get.

Ms Davis: The shortfall in transfer payments from the federal government is certainly a reality that we did not

expect to be prolonged—or maybe we did expect to be prolonged.

Mr Phillips: That was in place last year.

Ms Davis: But what angers me very much about the federal cutbacks is that they are in programs that are mandatory programs. Social services and welfare—

Mr Phillips: I am sorry, but the Agenda for People knew all of that. I am just wondering what you get from the provincial government as an answer.

Ms Davis: The answer is that there are insufficient funds.

Mr Runciman: I just have one question, a comment really, with respect to the covering letter you had on your presentation. You have a quote in here: “‘It’s not enough, to say there isn’t enough money,’ Davis stresses.”

From my perspective, it is not enough for you and others to approach government and say, “Look, all we want is more money.” I think it would be helpful for all of us, regardless of what political stripe we have, if interest groups appearing before legislative committees suggested innovative and constructive ways in which a government could trim costs. I know you are talking about transfer payments from the federal government, and perhaps that is an easy knock, but I think you are looking at this government incurring close to a \$10-billion deficit, the federal government an annual deficit in the neighbourhood of \$30 billion, and I do not think that all of us as taxpayers can last indefinitely running those kinds of deficits at the federal and provincial levels. So I think, from my perspective as a provincial politician, it would be most helpful when a group like yours appears before us to say, “This is the justification for increased funding for our particular interest and here are ways in which we suggest those funds can be achieved and without incurring additional deficits for all of us as taxpayers.”

Ms Davis: We would support the government's proposal for a minimum corporate tax and looking at some revisions to the tax system and some obviously progressive forms of taxation that would increase revenues. We are not economists. We come forward to talk about child care because that is what we know.

Mr Runciman: I do not think we all have to be economists. We are all taxpayers and we all have concerns and we all have views to express. From my perspective, it would be helpful if all interest groups took a look at the broader picture rather than focusing simply on their own area of interest. That is all I am suggesting to you, when you appear before us in the future, any legislative committee. You may be criticized for making specific suggestions, but you folks are here to criticize us quite frequently, so I think you should be prepared to take some of that heat as well to come up with some specific suggestions.

Ms Davis: I think we did mention some proposals. We support the proposals that have been suggested by this government and we are hoping to see them implemented.

The Chair: Thank you for your presentation this afternoon.

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PROPANE GAS ASSOCIATION OF CANADA

The Chair: Our next presentation is the Propane Gas Association, Ontario committee: Rene Chartier, director; Tim MacDonald, officer; Marshall Wice, officer; Al Hindmarsh, officer; Alex Goerk, officer.

The Vice-Chair: The Chair has just stepped out for a minute, so maybe we will just start the presentation anyway. Just to let you know the format, you have a half-hour altogether. Whatever time you take for your verbal presentation will be subtracted from the 30 minutes, and the time left will be divided up among the three parties to ask questions.

If you would like to start, just before each of you is speaking please introduce yourselves so we have that on Hansard.

Mr Chartier: Thank you, Mr Chairman. My name is Rene Chartier. I am the director of communications for the Ontario committee of the Propane Gas Association of Canada.

I would like to thank two members of the clerk's staff for helping us to be here today, Mrs Karen McKay and Monica Marshall. We are very grateful for their advice and their kind thoughts.

The principals of my association, representing all persons who live and work in the great province of Ontario, are Al Hindmarsh from Oakville, Bob Callow from Aurora, Tim MacDonald from Unionville, who will be our spokesman this afternoon, and Jack Patriarche, his colleague from Unionville. Behind them are Marshall Wice and Alex Goerk.

Mr MacDonald: Thank you very much for allowing us to present our position today.

I just outline the background in terms of how the auto propane industry was established in Ontario back in 1980 in response to energy security concerns that first occurred in 1974, with the first Arab embargo and oil shock and subsequently higher prices of crude oil and gasoline and diesel fuel oil. In 1979 there was another oil shock with the Iraq-Iran war, which again resulted in shortages of crude oil and higher prices for gasoline, diesel fuel oil, etc.

In 1980 the Ministry of Energy in Ontario established an alternative transportation fuels program, of which propane was a very key and integral part. There are a couple of key principles with respect to that program, of which one is that government and industry would work together in the area of demonstrations and research. By far and away the most critical aspect was the fact that there was a fiscal regime in the way of no motor fuel taxes for propane and other transportation fuels and a sales tax rebate to encourage vehicles to go off gasoline and diesel and on to propane and other alternative fuels. At the same time, the federal government had a \$400 grant program to foster the same kind of activity. What we have seen in the last few years is a move away from that original fiscal principle. That has hurt the industry and we have experienced declining conversions in recent years.

It is critical for this industry to have a proper fiscal regime to survive. Any country that has a viable alternative transportation fuels industry requires proper fiscal support

from government and requires government and industry work together to develop alternative transportation fuel.

Our purpose here today is to outline the benefits of propane in terms of its benefits for energy security, for the environment, for job creation and for investment, the importance of auto propane to the whole propane industry and the importance of a proper fiscal regime to ensure ongoing viability.

Just in addressing the first issue in terms of energy security, you can see here from this chart that back in 1980 when this program came into effect, in terms of the proven oil reserves in the world—and this is world demand reserves—the Organization of Petroleum Exporting Countries controlled 60% of the world's proven reserves; the OPEC countries controlled 40%. In 1988, OPEC controlled 77% of the world's crude oil reserves and the non-OPEC controlled 23%. The key point here is that energy security was a very important issue back in 1980 and today it is just as compelling as back then, if not more so. We have all seen the recent events with Desert Storm and war in the Middle East. That certainly is not a very stable area in the world. This issue of energy security is just as compelling a reason to diversify our energy options today as it was back in 1980.

I just want to outline here energy consumption within Ontario by key sectors. You can see in that green pie chart—the pie—that is industrial—28% of demand consumption of energy in Ontario. Basically that is mining, major industries, steel industries, etc. Commercial—restaurants, commercial operations—is 8%. Residential is 13%; that is energy used for hot water, heating, cooking, clothes drying, etc; electrical generation, that is energy used to produce hydro, such as nuclear energy and hydro-electric energy. The energy industry is 15% of demand. That is energy used in refineries, etc. In transportation it is 24%.

The point I want to make is that in all these segments there are choices; there are options. You can use natural gas, hydro, propane or oil-based products. In the transportation segment, the energy used in transportation is 98% oil-based. The balance is basically propane and compressed natural gas. I guess the key issue then is that the key energy security issue rests with oil and the key sector is transportation.

Turning now to propane, we will say at the outset that the propane industry in Ontario and Canada is a very small energy segment. It represents only 1.5% of energy in Canada. The big players are hydro, natural gas and oil-based products. Within Canada, the domestic demand for propane—that is propane used for residential, commercial, industrial, etc—is 1.5 billion litres. The production in Canada is 8.5 billion litres. The key point is that there is abundant supply of propane within Canada, and today most of that is exported to the United States, which is totally different than with oil. We are importing light crude oil in Canada.

Looking at these various segments within the propane industry, we have the same segments as any other energy industry. We have industrial, which represents 23% of the propane consumed in Canada and likewise in Ontario. That is used for mine, air, heating; also, a major segment in industrial is forklift. Propane has been used in that application for over 40 years because it is clean-burning and has very positive

ions relative to gasoline and, as you know, forklifts used inside warehouses, etc. Propane has been used for many years because of its environmental benefits. Residential represents 15% of propane demand in Canada again, that is furnaces and water heaters and clothes, etc. Commercial is 23%, agriculture 7%.

The main point I want to make here is auto propane. Propane in Canada is one third of this industry's demand. If you look back at this industry, we were a 3-billion-litre industry in 1980. Auto propane did not exist. Now we are a 3-billion-litre industry and auto propane represents one third of the industry across Canada and one half of the industry in Ontario. I am saying this industry is very important.

You are probably wondering what happened to the rest of the market. The expansion of natural gas mains has taken away a large part of the demand from what we call the traditional propane market. Propane is a gaseous fuel like natural gas. It is used beyond the natural gas mains. Natural gas mains have expanded and taken that market away from propane. Mainly for the auto propane market and industry, auto propane developed in 1980 and has picked up the slack. The key point I want to make here is that auto propane is extremely important to this industry. It has become the largest segment. Within the province of Ontario, it represents 35% to 40% of our industry.

The other point I want to make is that like natural gas, propane has high-efficiency furnaces very well and can be used as a great product to go off hydro or go off oil, and it burns with the same characteristics as natural gas.

Now I want to talk about the environmental benefits of propane. Propane as a fuel is extremely good in all the problem areas of concern: smog, greenhouse effect. We think propane is the best alternative fuel in terms of global warming—very low carbon dioxide and methane emissions. We have been working with Environment Canada to measure emissions. We have material in the handouts you have in front of you with respect to emissions. We will just go through some of the highlights here very quickly.

On this chart we have taken some information with respect to a Chev Silverado. You can see that the far, dark set of charts is the government standard. The pink is cold weather urban starting, the blue is normal city driving and the darker blue is highway driving. You can see that propane is measured against the government standard in all different types of situations: highway, city driving, cold weather driving. If you look at hydrocarbons, that is under the government standard. It improves in highway driving and is very good in cold weather driving. Carbon monoxide is significantly better than government standards and also in nitrous oxides. One thing I will say is that propane is a gaseous fuel. It runs clean in all applications; gasoline runs dirtier in colder weather.

Last October, World of Wheels sponsored a rally across Canada with four fuels: gasoline, compressed natural gas, propane and methanol. I will say at the outset that these were brand-new Tauruses. They were not optimized set up for the various alternative fuels. They were just converted to propane or natural gas or whatever, and the

optimization was not complete. But you can see here the results of propane with respect to other alternative fuels and to gasoline.

The first chart indicates propane against gasoline and other alternative fuels with respect to regulated emissions, hydrocarbons, carbon monoxide and NO_x . Propane is the green fuel; gasoline, pink; the government standard is light blue and CNG is the dark blue. With respect to hydrocarbons, which are particularly important with respect to smog, you can see that propane stacks up very well against all the other alternative fuels. With respect to carbon monoxide, again propane stacks up very well with all the alternative fuels, better than CNG and better than methanol. Finally, in terms of NO_x , again propane stacks up very well. It is the best fuel in the area of NO_x , which is very important for global warming and acid rain and photochemical smog.

The other thing I should say about propane is that it is in a sealed system. You have two kinds of emissions: tail-pipe emissions and evaporative emissions. Propane runs in a sealed system, so right off the bat you eliminate the potential for a lot of emissions.

In the area of unregulated emissions—formaldehyde; VOCs, which are volatile organic compounds; methane and non-methane hydrocarbons, which are critical for the creation of smog—again we have the same scale. We have gasoline in the light purple at the far left of these bar charts, CNG in the dark blue, propane in green and methanol in light pink.

You can see in the area of formaldehyde that propane is the best alternate fuel. In the area of VOCs, propane and CNG are neck and neck in terms of their emissions. With regard to methane, propane again stands out very well, considerably better than CNG. And in the area of methanol, again propane stacks up very well.

We have other information on emissions which can be made available to members of this committee if they want.

The other thing I should say about propane is that back in 1980 there were virtually no vehicles running on propane. Today there are over 50,000 vehicles.

We have been the most successful in the field in grabbing hold of this challenge and creating an alternate transportation fuel. We had to, given our market dynamics, as I went over. But we certainly have proven we are successful. We have an infrastructure in place today of 1,700 outlets. We can provide a solution today, and we are doing it right now, but we can expand that solution further for the environment, for energy security. We are here today. We are not saying we are the whole solution, but we are saying we are a very strong part of the solution.

We have a number of challenges as an industry. We are not saying we are perfect. There is a low awareness of propane. We are a very small energy source—as I said, only 1% to 1.5% of total energy in Canada—so there is a low awareness. We are working as an industry to improve that awareness. Second, at times that awareness is negative, and we have tried very hard to alleviate those concerns with the public. In the last three or four years there has been a government-industry committee looking at the propane industry with industry, with the Ministry of Consumer and Commercial Relations, with the Association of

Municipalities of Ontario and with the Consumers' Association of Canada.

A study was completed in terms of the fuelling of auto propane. That study indicated that propane was as safe as gasoline in terms of safety incidents, so we have a job to do in terms of promoting the product and ensuring that it continues to be a very safe fuel, which it is today.

As an association, we have developed various pump island attendant training courses in the last couple of years to properly train people in the fuelling techniques of propane.

Declining conversions is a very, very critical issue to this industry. Clearly if we do not have conversions, our volume will plummet. We have seen some impact on that. I just want to show you some numbers very quickly with respect to conversions.

The total numbers at the top—for example, 23,000 in 1990 and 17,700 in 1987—are the total conversions done in Canada. The pink are non-Ontario conversions. That is particularly in Alberta and British Columbia. The green ones are in Ontario. What we have seen in the last few years is a decline in conversions. There is a perception out there by the public that propane has less support from government than it did before.

Back in 1989 there was an imposition of a motor fuel tax in two stages. That sent a message out to customers, who said: "Look, I am looking at converting my vehicle, but are the economics going to stay the same? Are the assumptions I based my original decision on going to remain the same?" That was a concern for a lot of our customers.

We have seen declining conversions. Last year we did 4,500, and we are working very hard as an industry to increase that number. That is the critical lifeblood of this industry. Back in the early years there were a lot of conversions that came off very quickly. Today we are working to make sure that the conversions are done properly. Several companies warranty conversions so the customer has a comfort level that the conversions have been done properly.

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As I mentioned, back in 1980 this program was launched as an alternate transportation fuels program. One of the key principles was that there be a level playing field. All transportation fuels would have the same terms and conditions in terms of government support and in terms of a fiscal regime. That level playing field has been changed. Propane is now the only alternate fuel that pays a motor fuel tax, and that has hurt us.

We feel the support that other alternate fuels have been getting is not the same as what propane has been getting, although I will say that in the last budget there were some bright signs and positive indicators—I want to talk about that next—with respect to propane pricing.

One of the issues we have faced is that with the advent of the road tax, the spread between propane prices and gasoline prices tends to narrow. What that did was change the economics. The fleet user who was using propane saw his economics deteriorate because all of a sudden instead of propane not having a road tax, it had a tax of 4.3 cents a litre on it.

The advent of the GST, which arrived in January this year, impacted on our economics another 2.5 cents; it nar-

rowed the gap another 2.5 cents. Gasoline had a federal sales tax on it. The federal sales tax was taken out, GST was put in. The effect was neutral. Propane has a small component of federal sales tax, about two tenths of a cent a litre. The advent of GST narrowed the gap between gasoline and propane because we had to put that right off the pump price. Right off the bat it was narrowed.

I will commend the Treasurer on his recent budget. It did not increase the motor fuel tax in the last budget. There is a 1.7-cent tax on gasoline right off the bat, another 1.7 in January. That will tend to widen the spread.

Technology is a very big issue for the industry. The automobile industry is constantly progressing in terms of technology. We are working very hard to maintain a technology both in engines and in refuelling infrastructure, that requires investment. I will talk about that a little further.

We have had some concerns with respect to the application of government regulations at the fuels safety branch level. We have information on that in your handout. It is a concern for us. We are working closely with the fuels safety branch and the MCCR to try to make sure we work together in a more positive way.

With respect to employment, this is a new industry that did not exist in 1980. We have had a very positive impact on employment in Ontario and on economic activity. Looking very quickly at conversions, conversions generate economic activity. If you take 4,500 conversions, that costs about \$1,800. That is retail spending of \$1.8 million. We have looked at the impact of this based on an input-output model. Every \$10,000 of retail spending generates \$12,000 of gross domestic product impact. That is a benefit to the Ontario economy of \$9.7 million, or 324 person-years of employment.

Concerning motor fuel sales, 400 million litres of motor fuel sales at, let's say, 28 cents a litre generates \$112 million of retail spending. The GDP, or gross domestic product, impact of that is \$130 million. Again, that was not there before. The person-year number of jobs is 4,500, in total you are looking at 5,000 jobs. I will say that a lot of these jobs in the refuelling infrastructure are for those people in the 18-to-24 age bracket, where unemployment is particularly high. We have, as I said, brought out training programs to help them do their jobs better. What could this impact be if these conversions were 20,000, like they were before? What could the impact be on jobs and economic activity?

What is the impact on the Ontario budget, on the cash flow of the Ontario government? We do kick in, through our motor fuel tax of 4.3 cents per litre, \$17 million. Admittedly, the government forgoes road tax on our product but that is essential; if we do not have a proper fiscal regime, our industry is dead. The province does forgo tax revenue. That represents about \$38 million. That has not been updated for the recent changes in the budget, but I think it is basically very accurate. The provincial sales tax rebate for converting vehicles of \$750 a vehicle represents \$3.4 million, but on the previous page, I indicated the gross domestic product impact of this industry of about \$144 million. Based on that same input-output model, 16

traditionally flows back in terms of tax revenue to the public coffers. That is a plus of \$23 million.

The net negative cash-flow impact on the province, in terms of finances, is \$1.6 million. What could it be? That is not count, by the way, the impact on society in terms of cleaner air. What are the benefits of having lower emissions in terms of hospitalization and the health program? Those are not factored in there, so there are a lot of other costs that are not factored in there that are real costs.

In conclusion, the energy and environmental reasons for promoting all the transportation fuels, particularly propane, are even more important today than they were in 1980. Propane offers an alternative to gasoline that can meet our policy objectives, create employment and investment in Ontario and provide long-term security of supply. The initial policy of fuel neutrality has been eroded to the detriment of the auto propane industry, and this is hurting the industry directly and making it difficult to make the necessary investments in infrastructure, market research and development and demonstrations.

Our recommendation is to make the playing field more even as it was back when the program came to light, because we are experiencing declining conversions. Specific recommendations are: increase the sales tax rebate for propane conversion to \$1,000 from \$750 to match the one currently available for CNG; extend the period of eligibility for the rebate from three months, as it is today, to 12 months; provide some tax relief to propane to mitigate the effect of the GST on auto propane and the gasoline price differential—I will say that the recent budget went a long way to do that; and, in association with the federal government, permit accelerated depreciation of investment in building infrastructure.

In summary, propane provides a great opportunity for Ontario in terms of energy security, in terms of the environment, in terms of job creation, in terms of investment. The auto propane industry is very important to the propane industry. There are a lot of companies in Ontario that are 100% dependent on auto propane. They jumped into the market when this opportunity came about. If the auto propane industry disappears, this industry will shrink to one third to 40%. But if you look on the upside, what is the potential that could be there? Cleaner air, more jobs, better energy security in the transportation sector, which today is 98% dependent on oil.

The other thing too is that I think it is an excellent example of industry and government working together. We have worked well for the last 10 or 11 years. We want to continue to work together to build this industry for the achievement of the public policy goals I have mentioned. We would like to expand that partnership and work with industry and government to have more government vehicles on propane, and maybe have government work with us to coach the Chryslers and Fords and GMs of the world so they can produce vehicles that run on propane.

That would help the provincial government too. If vehicles are produced at the factory level, conversions are not necessary. The Ontario government can look at that 10% sales tax rebate; that may not be necessary. The pricing

of vehicles coming out of the OEMs—the original equipment manufacturers—the Chryslers and Fords and GMs, is similar to gasoline because off the line it does not have to be converted. The Treasury saves that money and it still has the benefit of a clean-burning fuel and energy security; there is an abundant supply in Canada. I appreciate the opportunity we have had to speak to you today. I am probably taking too much time, but we appreciate the opportunity, and that concludes my presentation.

The Chair: Actually, time expired, but if committee members have questions, perhaps we can start with having one or two questions per party, beginning with the Liberals.

Mr Kwinter: In your total conversions, what proportion are commercial or fleet users and what proportion are individual consumers?

Mr MacDonald: By far and away the majority are fleet users. I would say 90%-plus. The benefits of converting to propane come to the fore in that fleet application because you drive more miles. Keep in mind that because you have to pay for a conversion of \$1,800, you have to drive enough miles to generate savings to get that pay-back back. Fleets generally like to have that pay-back within a year to 18 months.

There are, though, opportunities, we believe, in the commuter market. If you drive enough miles the pay-back will be there. There still is pollution coming out from lots of vehicles, but clearly the lion's share, 90%-plus—that is an estimate but that order of magnitude—is fleet users like couriers, taxis, limousines, those kinds of vehicles.

Mr Kwinter: The reason I want to know that is it seems to me that is where you really have to concentrate your effort. That is where the greatest growth would be. I agree that one of the major hurdles would be to get the original equipment manufacturers to make that a factory option.

Mr MacDonald: Yes, precisely.

Mr Kwinter: That would solve a lot of your problems. We saw that in the 1970s with diesel. A lot of people went to diesel and a lot of commercial vehicles are still diesel. That should be, I would think, one of your major thrusts, to get original equipment manufacturers to make this a factory option.

Mr MacDonald: That is exactly right; no question about it. It has been very successful. If you look at Holland, 20% of the fuel that is used in the vehicle market is propane. There are 500,000 vehicles. There is no reason Canada could not have 500,000 vehicles on propane. In Ontario we could have 250,000 vehicles. We could handle five times more, with the supply we have. We are there now. We have an infrastructure in place today. We have 1,700 facilities in Ontario available today.

Mrs Sullivan: I want to follow specifically on your recommendation relating to the motor vehicle tax on alternative fuels. As I recall the history of this, and I would just like you to bring us up to date, when the incentive was put into place, it was put into place and considered by virtually all of the subsequent treasurers as a temporary tax until the industry came to maturity and the alternative fuels were seen as a real alternative for users. There was, as I recall,

concurrence between your industry and the Treasurer a couple of years ago that in fact your industry had reached that maturity level where it could compete, because there still was a differential between propane and regular gasoline, and that it was an appropriate time for that tax to go back on. Would you just like to comment on that?

Mr MacDonald: I could be wrong, but I do not recall the industry saying, "Now is the time to put on the tax," per se, or "an appropriate time." You are right that a critical thing is the spread between propane and gasoline.

When the program was launched, as I understand it, back in 1980, it was a long-term program, a 15-year program, and the principle was: "Let's create an environment where government and industry work together in the area of research and demonstrations. Let's provide a fiscal regime and a level playing field and let the marketplace decide which fuels are selected by the public, fleet users or private individuals, whatever. That was the original intent.

I guess what happens is that you get a mindset out there that: "This fuel tax has gone on. When is the next one going to happen?" In many ways it is a fear of the unknown—Once a fuel starts to get taxed, is another tax going to get on. I convert to propane when there is not a fuel tax. A fuel tax was put on? It first came in at 2.3 cents in July 1989, then another two cents; it was announced at the time of that budget for a total of 4.3 cents. Then the GST happened, then all these sorts of add-ons, so it is a combination of a number of things. Clearly it is critical that the spread be there. You are 100% right there, but a lot of it is perception.

The fleet users are very much concerned with the economics of things. They are converting to propane because of economics. I would like to think they were converting because of the environment, but when it comes right down to it, they are converting because of economics. If they feel there is more tax to come, they get very nervous. They rethink. They tend to think a little farther.

You are looking at a conversion. They are high mileage users. Every two or three years or four years they rethink their decision, and if the economic environment has changed or if there is some doubt about it, they pause for thought.

In terms of your comment about whether the industry thought it was okay to put a 4.3 on or it was negotiated or whatever, I do not recall those discussions. It does not mean there were none, but I do not recall them. But you are right that it is critical there be a price spread between propane and gasoline and diesel.

Mr B. Ward: I have a quick one. It is more of a clarification from a fiscal standpoint. You are suggesting that the fiscal support the government has shown your industry, now and in the past, should continue, and in fact should be enhanced if possible. The other clarification is that you agree with the fuel taxes that were implemented because it increases the spread, as I think you just stated,

which the GST closed and that by not taxing the motor fuel tax, it has benefited your industry.

Mr MacDonald: The GST came in this year, as we all well know. It added two to 2.5 cents to our price, and so to gasoline. It is true that the 1.7 cents a litre from the Ontario budget that was announced in April, which was instituted right away, and then the upcoming 1.7, will widen that spread. That is, I guess, your point of clarification.

We have to have a positive fiscal regime to be successful. If we do not have a sales tax rebate to foster conversions, we will not have conversions. You see \$1,000 for compressed natural gas—I am not knocking any fuel; I am just stating facts—and you see it is \$750 for propane. That sends a message out to people. You see other alternative fuels with no motor fuel tax, and you see propane with 4.3. That sends a message out.

I guess what we are saying is that we need a fiscal regime which allows us to provide the fleet users, the public, the economic benefits. I commend the Treasurer for not putting on the road tax, not increasing it, and widening that spread again, but what we are here to talk about is why we are here is to say: "Look, we need a fiscal regime. We want a level playing field with all alternative fuels."

Mr Sutherland: It is nice to hear a group saying that the gasoline tax increase was a good thing. What I want to know, just for some personal interest, is, roughly how many miles or kilometres a year would you have to drive to make it worth while to have a conversion, or what do you think from the economic standpoint?

Mr MacDonald: It depends on many things, of course: the fuel efficiency of the vehicle itself; the spread between gasoline and propane.

Mr Sutherland: With the current situation, what would it roughly be?

Mr MacDonald: I would say you are looking at about 4,000 to 4,500 litres of propane a year. You guys can help me out if I am wrong here; I would say 20,000 to 30,000 kilometres a year.

Mr Sutherland: I am at 39,000.

Mr Wice: By good measurement, if you have a gasoline vehicle and you fill it up two and a half times a week, then that is a vehicle that should be on propane.

Mrs Sullivan: You have a customer.

Mr Sutherland: I thought about it. I may still do it. I did not think I would be driving this much.

Mr MacDonald: We can take orders for conversion today, if you would like to.

Mr Sutherland: I am at 39,000 kilometres over 12 months, so we are pretty well there.

Mr MacDonald: We can arrange something.

The Chair: That is it until 9 o'clock tomorrow morning. The committee adjourned at 1652.

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1991-92 budget

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de l'Ontario

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(Hansard)

Le jeudi 1 août 1991

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Budget de 1991 à 1992



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Clerk: Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 1 August 1991

The committee met at 0909 in room 230.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Vice-Chair: Good morning. The Chair is going to be a little late, so I will be chairing in his place until he arrives. It looks as if we have a quorum this morning. This is the fourth day of the hearings by the standing committee on finance and economic affairs for post-budget commentary.

UNIVERSITY OF TORONTO

The Vice-Chair: Our first group this morning is from the University of Toronto: Robert Prichard, president; Penny Horne, president of faculty; Judith Eichmanis, president of the staff association; Peter Go, president of the student administrative council; and Robert McGavin, chairman of governing council. We have half an hour altogether. Whatever time you use in your verbal presentation will be subtracted from that half hour and the time left divided among the three parties.

Dr Prichard: Thank you very much, Mr Chairman. My colleagues and I are grateful to you and your committee for giving us the opportunity to appear and grateful that the committee is permitting these full and informed discussions of the government's budget.

You have introduced the others that I appear with. Our plan is that each of us will speak briefly from our particular perspectives. I will introduce our position by speaking for five minutes. Each of my colleagues will speak for two minutes beyond that in the hope that we will use less than half our time for our presentations, leaving the remainder of the time for any questions the committee may have.

The 1991 Ontario budget states, "It is almost universally acknowledged that the key to growth and prosperity is an educated, adaptable, motivated and skilled workforce." That is from page 79 of the budget.

The budget, as you know, also speaks to the centrality of innovation and technology research and development to economic growth and competitiveness. We at the University of Toronto endorse these sentiments entirely. We believe that investments in people and investments in ideas rank among the most important and productive investments a society can make. We believe such investments are essential to building a province committed to both prosperity and equality of opportunity and we believe investments of this kind are ever more critical and more compelling than in times of previous economic difficulties, such as those Ontario is experiencing at present.

The University of Toronto is Canada's most significant university. It does the most research of any university in Canada by far. It graduates more PhDs and masters students in any other university in Canada by far. It graduates

more undergraduates and more professional graduates than any other university in Canada, and it counts itself as a university among a network of great public universities across North America and around the world.

The University of Toronto is a major and very special asset of the province of Ontario, and the University of Toronto is, of course, dedicated to investments in people and investments in ideas, investments that can contribute significantly to Ontario's future. But the university can meet its obligations to provide a university education of excellent quality, indeed pre-eminent quality, only if it enjoys an adequate level of public financial support.

How do we judge the budget against this requirement? First, we congratulate the government on maintaining transfer payments to the universities at approximately the rate of inflation. To have done less would have been disastrous in terms of doing further harm to a university system already seriously damaged and undermined by 20 years of inadequate public policy and inadequate financial support.

We also congratulate and thank the government for providing assistance with meeting the costs of pay equity and for providing special funds for anti-recessionary capital projects that will mitigate some of our most pressing problems with respect to deferred maintenance and hazardous materials.

I should also record our concerns. As we record our gratitude for this financial support, despite the government's revenue shortfall, we must record our concerns about the current state of financial support for the universities.

While there has been much talk about the deficit identified in the budget, there is another deficit that should also concern the government, this committee, and the people of Ontario. It is the deficit in essential support for our universities. This other deficit, as I call it, can be measured in many ways. It can be measured as \$410 million a year in base financial support, a figure based on the government's own advice from the Ontario Council on University Affairs and acknowledged in the Legislature by the Minister of Colleges and Universities of this government as an appropriate measure of the shortfall in university revenue.

It can be measured as Ontario ranking ninth out of 10 provinces in support per student. It can be measured as Ontario providing only a fraction of the support per student provided to students in comparable public institutions in major American jurisdictions such as Michigan, providing 55% more per student; Pennsylvania, 74% more per student; California, twice as much per student; on average, at public doctoral institutions in the United States, 40% more per student than is received at the University of Toronto.

It can also be measured as the accumulated backlog of deferred maintenance, which at my university alone, has now reached \$120 million of deferred maintenance projects, and it can be measured as the loss of positions and jobs in the faculty and in the staff, and the consequent escalation

of student-faculty ratios and decimation of staff support services. This other deficit requires urgent attention. It will require more spending, not less; more investment in people and ideas, not less.

The people of Ontario understand the benefits. University enrolment has grown by 30% just in the 1980s, and the economic return to a university education continues to outstrip all other forms of labour force qualification.

In conclusion, we recommend that you endorse the transfer payments to the universities as the absolute minimum necessary to stave off further damage. We also recommend that you urge the government, as a matter of urgency, to follow through on the Treasurer's call for a plan of renewal for Ontario's universities, and that you insist as a committee that the government bring forward a plan to ensure that adequate investments are made in the universities of Ontario to overcome the other deficit so that the full promise of our institutions can be realized.

We at the University of Toronto and at other universities in the province stand ready to serve the people of Ontario. If equipped to serve to the limits of our abilities, the contributions we can make to the long-term economic strength and prosperity of the province of Ontario are enormous and enduring, and we would very much like to seize that opportunity.

The chairman of the governing council, Dr McGavin, will speak next.

Dr McGavin: Thank you for having us here today. I am in the unique position of being a government appointee who has been appointed by three different governments in Ontario: Tory, Liberal and NDP. While I have seen these changes in government, I have seen a remarkable consistency in the attitude of government to higher education. Higher education has become a low political priority. Our share of public funds has been eroded dramatically in the past decade. The youth and future of this province are being ignored.

It has reached the point where Ontario's support for post-secondary students now ranks ninth among the 10 Canadian provinces. For all of us in Ontario, the richest and greatest province in Canada, that amounts to more than an embarrassment; it amounts to self-destruction.

With the dwindling share of funds flowing to higher education, universities in this province have had to make deeper and deeper cuts in our programs. We have now cut so deeply that we are bleeding. The quality of education in Ontario is bleeding. At a time of critical faculty renewal, we are less and less able to attract top international scholars to our faculty. With this loss, we face the further loss of research funds and private sector participation in research projects, all of which would lead to more jobs for Ontarians.

As we sap the quality and vitality of our universities, more than our competitiveness is at stake and more than the future job opportunities of the youth of Ontario. Universities also contribute immeasurably to the quality of life, to research, to culture, to the learning, knowledge, justice and fairness of our society. We cannot afford to see the diminution of higher education in this province.

By the same token, we know we cannot afford to increase deficits to restore university funding. With federal

and provincial deficits, we have already mortgaged the future of Ontario's youth. They are the ones who will have to pay. While we hand them a legacy of debt, we are taking away their ability to handle it by letting higher education fall by the wayside. So what Ontario's universities need to get a better share of an existing pie. We need to reallocate funds to education and make it a top priority in the province. I think there is growing support for this, particularly when people come to realize just what is at stake.

Support for our fund-raising efforts at the University of Toronto indicates that the value of higher education is widely appreciated. Students, the University of Toronto has 270,000 alumni, faculty, staff and the private sector have contributed in the past few years \$125 million to a broadly based campaign. But how can we go back to the future more if the society we serve keeps hearing signals that there is no future for higher education in this province? We need to pour money back into the foundations or the rest of the structures will collapse. If you do not give higher education a higher priority, Ontario will not have a future; but if you do, if you buck the trend of the past decade, the future will take care of itself.

0920

Dr Prichard: The next presenter will be Ms Bonnie Horne, the president of the University of Toronto Faculty Association.

Ms Horne: As president of the faculty association, I represent the 2,500 faculty members and librarians who work at the University of Toronto. What I want to talk to you about, which is of particular concern to them, is what is happening in terms of the quality of education that is being delivered at our institution. Quality is being sacrificed for quantity, and that has been the situation for quite some time now.

We all understand that having an education at the post-secondary level involves more than just having facts crammed into the heads of students, yet more and more professors are being required to use methods of teaching that result in that kind of delivery of post-secondary education. Gone are the opportunities of the past where, in small classrooms, people were able to engage in lengthy and interesting discussion, where people were required to write lengthy papers and articulate their thoughts in very well thought-out ways. You are now looking at classes of hundreds, and in some cases over a thousand students in a classroom. Just try to picture individual classes that exceed the size of the entire enrolment of the high school that the students have just left when they start their undergraduate education at the University of Toronto.

It is impossible to deliver the quality that we are capable of, and that we know is the best kind of education at the important education that needs to be delivered. More and more of my colleagues are using multiple-choice tests and true-and-false answer papers in order to test the skills and abilities of the students in their classes. They find it unsatisfactory that this is the way they have to measure students' ability. They find it unsatisfactory that they cannot meet with students outside the classroom. They find

atisfactory that tutorial classes are now as large as enrolment courses used to be a couple of decades ago.

It is very important that we be aware of just what effect underfunding has had in the day-to-day life of the average undergraduate student at the University of Toronto. I hope in the short time I have been allowed that, with this particular example, I have helped give you an idea of exactly what is going on in the classroom where students from families like yours and the people you represent are now attending university.

Dr Prichard: The next presenter will be Ms Judith Eichenmanis, who is the president of the University of Toronto Staff Association.

Ms Eichenmanis: As president of the University of Toronto Staff Association, I represent some 3,000 administrative staff members. For us the equation is a fairly simple one: Underfunding equals less real income for the universities, equals budget cuts, equals a very overworked and severely stressed administrative staff complement, equals in some cases reduced, and in other cases less efficient and less effective services to faculty and students. So the bottom line is Underfunding equals an inability on our part to perform exactly the way we would like, to do the best job possible for the university. I think that is probably a factor that affects our people even more than job insecurity, which is obviously something they are facing. They are a very loyal, dedicated group and they tend to want to spend their whole careers at the university. They want to do the very best job they can and they are being frustrated in that.

They also have this enormous job insecurity facing them. There are cuts going on, but workers all over Ontario are going through difficult times, so we are not asking for special concessions. We are asking you to believe that there is a problem resulting from underfunding and it is affecting the quality of education in Ontario. We hope you will hear and understand that.

Dr Prichard: The final presenter is Mr Peter Go, who is the president of the students' administrative council of the University of Toronto.

Mr Go: I represent over 32,000 full-time undergraduate students at the University of Toronto, and I want to briefly describe the underfunding crisis as students see it.

The quality of the undergraduate degree has been quickly eroded. Actually, for the last 15 to 20 years, there has been a progressive decline in government support of the universities. I will not bore you or alarm you, as the case may be, with lists of direct consequences of underfunding such as outdated equipment, crumbling buildings or overcrowded classrooms. Rather, I want to point out one poignant example of the deteriorating quality of education and the whole declining student experience at universities.

What has steadily occurred as a result of inadequate funding is a change from learning by a thought-provoking and problem-solving process to learning by memorization and regurgitation. Instead of low student-to-professor ratios, sufficient contact with instructors and stimulating and educational assignments, we students are now relegated to large lectures, sometimes with more than 1,600 students in the classroom, with very little direct assistance, and we

are forced to learn by memorizing, on our own, lists of facts and regurgitating those facts on our exam papers.

Not only are the faculty frustrated with this kind of delivery, students are frustrated with receiving this kind of education. The multiple-choice test has never been so popular. In fact, it is now called the "multiple-guess" exam.

This is certainly not the model of quality education that is acceptable to students, parents or taxpayers alike, and it certainly does not bode well for the future competitiveness and wellbeing of our province in terms of a well-educated populace.

The University of Toronto is working very hard with what it has, to provide a quality education, but obviously we do not have enough. Students are also contributing not only in terms of tuition fees, but also in donations to the university. Last year's graduating class raised almost \$500,000 in gifts to the university. We in SAC now have a trust fund that is close to \$3 million to address the problem of accessibility for people with disabilities.

The faculty and administration are also trying very hard to improve the quality of our education with new initiatives and, unfortunately, scarce funding. We are, as you can see, working very hard but we have not been given enough.

Unless this government wants regurgitative learning and the decline in education at universities to continue, there must be a real commitment to the universities of this province.

I want to reiterate the comments of President Prichard and the members of our group and state that this commitment to universities must come in the form of removing the underfunding deficit.

Dr Prichard: Mr Chairman, as you can see, we are working together at the university from the different constituencies and working hard in difficult circumstances. We are not discouraged, despite our language. Indeed, we are fundamentally optimistic about the long-term possibilities for the university; but we are deeply concerned about the current situation and we want to work with elected representatives of all parties and of all the people of Ontario to develop a plan of renewal and recovery for Ontario's universities. We thank you for this opportunity to continue that effort with this committee.

The Vice-Chair: Thank you, Dr Prichard. We have about three and a half minutes for questions from each party, so we will start with the third party.

Mrs Cunningham: As usual, it is a pleasure to see the University of Toronto so well represented. I especially appreciated hearing from the faculty association and the students this morning.

The presentation, Mr Chairman, as you and I know, is not new to us, but it is another opportunity to tell the elected representatives how serious things are at the universities. Since time is so short I have two quick questions.

One is from a member of the alumni at the University of Western Ontario who has chosen not to contribute for the first time in some 20 years because of accessibility and because of the complaints that his own family members have had—not unlike your own, Mr Go—in that if the university cannot provide a better quality of education, maybe the reason the government is not supporting universities is that

they are doing a fairly good job, but not towards the kinds of things you need, meaning money for faculties but fewer, smaller class sizes. If this is a trend that is beginning, certainly in my job as critic I would like you to comment on that.

The other one is, what kind of response have you had from this government with regard to your renewal plan which was so well presented on your behalf in the pre-budget hearings for the last budget?

0930

Dr Prichard: Maybe I could attempt a brief answer to each of those.

On the first, I think the evidence across North America is clear that great public universities depend on strong private support in order to fully accomplish their missions. At the same time, that strong private support is dependent upon strong public support, and the only way we can produce great universities in Ontario is through a combined effort of public support and private philanthropic support.

One without the other will not do the job. If our potential benefactors lose confidence that the government supports the universities, they also, I believe, will lose confidence. If there is a vote of confidence through the public sector, I believe the private sector will similarly vote with confidence.

With respect to the plan of recovery, at this point—I want to put it carefully. The Treasurer, in his announcement of the transfer payments, indicated a need for a dialogue with the universities in order to develop a plan of renewal, recognizing the need for a multi-year plan of renewal, accepting the deficit in support of the universities and the need for a plan of renewal. At this stage that dialogue is not as advanced as I would hope it would be, and it is our position to the minister and to the government on a regular basis that there is no more important challenge facing the Minister of Colleges and Universities than the development of a plan of renewal and recovery and the gaining of cabinet support for that plan. That is the single most important challenge facing the minister.

There are other issues of concern of course in the university sector, but in our view the single most important matter for the minister and the government is to develop a multi-year plan of renewal, and it is because of this that we urge this committee to continue to watch the government's conduct in this area and to continue to urge the government to develop the plan which the Treasurer himself has indicated is required.

The Vice-Chair: I think you have about half a minute left.

Mrs Cunningham: For me?

The Vice-Chair: Yes.

Mrs Cunningham: That is unusual, is it not? I will ask my next question.

Mr B. Ward: It is so early; it is too early.

Mrs Cunningham: So early in the morning. When we were chatting about this recovery plan, part of that recovery plan was the contribution from students with regard to the tuition fees, and I am aware of other funds, Mr Go, in which students have been particularly wonderful at raising funds, especially for accessibility. The University

of Ottawa is another example. I suppose I could direct a question to you.

We are asking the students to contribute in very different ways than we did a decade ago or even two decades ago. They are doing a pretty successful job. The University of Toronto is quite unique, but as I said, there are other universities. How are the students at the University of Toronto now feeling about the recovery plan and the commitment with, I suppose I would have to say, the increase in fees on behalf of students, their contribution?

Mr Go: I think, first, I will address the commitment to an increase in fees and other things and come directly to the tuition fee question.

Students are committing to things like accessibility for persons with a disability because they see value for their money. They see a jewel there that they can contribute to that they know will leave a lasting impact on the universities.

For tuition fees, for them to work in a partnership with people like Rob, people like yourselves, they want to see a real commitment also. We have come forward with a proposal that we would be willing to talk about an increase in fees if we saw a commitment from the government. As far as students at the University of Toronto are concerned, they have been frustrated because they have not seen a commitment to an increase in the funding from the government.

The Vice-Chair: Moving on to the governing part, Mr Ward.

Mr B. Ward: I would like to look at the positive benefits that our budget has implemented in Ontario, and part of that is our capital works projects and initiatives. It has been criticized by some, that either we should not have done it at all or it is wasted money.

In your presentation you mentioned commending the government for receiving some benefits from the anti-recession package. For the benefit of this committee, could you relate what projects or project was implemented through this initiative?

Dr Prichard: Yes. I stand to be corrected by one of my colleagues behind me, but I believe we received a total of just under \$6 million in a combination of support for deferred maintenance projects and control of hazardous waste projects. We have a backlog of such projects, as I indicated, over \$120 million, individual projects recorded, and this has allowed us to make accelerated progress on the more urgent of those projects. They range from stopping leaking roofs to controlling loose asbestos in buildings, through other essential repair and renovation projects right across the three campuses of the university. So this is essential support and it is for that reason that I made specific note of its importance to us.

Mr Christopherson: Dr Prichard, welcome. It is good to see you again, and your colleagues. Thank you for your presentation, and thank you for your acknowledgement of our ability to maintain at least the level of transfer payments to you and other funding partners. As you know, that was a priority for us before the budget. I think we met that commitment during the budget, and I can respect and appreciate your desire to see that level and more in following budgets.

What I would like to focus on are some of the comments were made regarding the future of the province, the role of our economy vis-à-vis the amount of expertise we have in our province to develop the kind of specialized work, and particularly value added areas, to our economy. I would like to hear in your own words, if you do not mind, for the record and for our own edification, as concisely as possible how you would convince the public that money needs to be spent in the area of education, particularly in post-secondary, if we are to meet the needs of a changing economy where value added means so much. How would you phrase that to make the case to the public to this government to continue to make it a priority and the fact that we really, in our opinion, have no alternative?

Dr Prichard: I am not sure I can do better than the government's own budget, which states the case for the centrality of investments in human capital in an Ontario economy which is going to survive and thrive through constant emphasis on higher value added, whether in services or in products. I think the evidence is unambiguous that the major western nations of the world that outstanding post-secondary institutions are an essential element at the top end of the educational system to pull the entire quality of the educational system forward and to provide the base of highly educated people, the base of research, the base of science, the base of innovation around which a value added economy can grow and thrive.

I do not think we have good examples to the contrary of that proposition. We have many examples. One need only look at California and Massachusetts as two areas of very substantial economic growth arising from a direct connection with housing some of the finest post-secondary institutions in the world. We see that happening in Japan. We see that happening in Germany. We see that happening everywhere that economies are booming. We see it happening in Ontario at present. I do not believe the Ontario strategy for economic renewal and recovery which is set out in the budget can be realized without having a number of outstanding post-secondary institutions in the province.

The Vice-Chair: Moving on to the official opposition.

Mrs Sullivan: I am very interested that once again the University of Toronto is back bringing really a fairly negative message to the people of Ontario about the quality of post-secondary education.

I want to explore with you, in the base funding plan that you have put forward, the \$410-million recovery program, and I just do not recall what U of T would see as its fair share of that additional money, if it became available. Where would you see priority in a renewal program? I call programs such as faculty renewal and centres of excellence which injected some capital for a period of time, but where would you see priority as a first step in a multi-year program, and what would U of T see as its fair share of a new injection of funds?

Dr Prichard: Thank you for the question. The University of Toronto represents approximately 20% of the university system in Ontario. Depending on what the rule of allocation is, the share ranges from about 18% to 23% of various different programs, so as a rough approximation, if

one takes 20% as the number, it would translate over the multi-year program into about \$80 million of base financial support for the university.

What priority would we attach? The proposal made by the Council of Ontario Universities called for each university to develop an individual plan of renewal and recovery which would be developed by a joint committee of staff, students and faculty, and the funds would be held in trust until such a plan was developed and filed, demonstrating exactly how the funds would be spent. As a result, in some sense it is premature for me to say exactly what the priorities would be, because it would come from that joint exercise, but let me say what I would argue for in that process. My colleagues can speak to whether they would endorse these views.

0940

The number one priority—the only priority, I would say—would be that of quality. The single greatest harm to the universities over the past 20 years has been the reduction of quality, and the turnaround will have to come by focusing investments on quality. The single most important such investment we could make, in my view, would be in faculty, in faculty renewal, making more faculty members available to our students, who have increased so hugely in number, such that we could drive down the student-faculty ratio, give more individual contact with faculty members to our students and reduce the scale of the enterprise from the scale described by my colleagues to a more manageable scale, more the scale that any of you who had the privilege of attending university in Ontario once knew as what a university education meant. So for me, the number one investment would be in more faculty to provide better quality to students.

The second area of priority for me would be more support for students through student services; that is, to think only of what happens in the classroom as the core of the education is, I think, an impoverished view of a high-quality education. There is a variety of student services, from counselling to training to placement, through a variety of services which surround and support any extracurricular life of the university. Those have in some sense been hurt even more and they need to be rebuilt through a joint effort of our students and our staff.

So for me, at the University of Toronto—and I speak only for our university and only for myself—quality and focusing on faculty and student support services are the two things that I would assign the highest priority to, but my colleagues may want to endorse or differ on it.

Ms Horne: I would certainly endorse that. I think it was clear that my message had to deal with the first part of that. Just to give you an idea, in spite of the fact that there has been some renewal money put into the institution recently, we are looking at a 10% reduction in the current faculty over the next four to five years in order to meet the budget guidelines that the university has put forward at the moment, at a time when the enrolment is continuing to increase. So even what we view as an unacceptable situation today is going to be worse next year and worse again the year after that, unless something beyond maintaining the status quo is done for our institutions.

Mrs Sullivan: I am surprised that you have not mentioned library books.

The Vice-Chair: Sorry, I am afraid your time is up. I want to thank you very much for making your presentation today, and I know Mrs Cunningham and myself were glad you elaborated when you said the University of Toronto was the most significant university.

LABOUR COUNCIL OF METROPOLITAN TORONTO AND YORK REGION

The Vice-Chair: We will move on to our next presentation, the Labour Council of Metropolitan Toronto and York Region; Pat Clancy, vice-president, and Brenda Wall, executive assistant.

Good morning, and welcome to the standing committee on finance and economic affairs. Just to let you know, you will have a half-hour altogether for the presentation. The time you use up for your verbal presentation will be subtracted and then the time left will be divided between the three parties for questioning.

Mr Clancy: Thank you very much for having us here today. It is kind of a new role for labour to be here talking to a government that it has confidence in.

We would like to present to you our brief. I am going to ask Brenda Wall, the executive assistant to the president of the labour council, to read the brief, and then we will be prepared to answer any questions that we can answer.

Ms Wall: On behalf of the Labour Council of Metropolitan Toronto and York Region, we are pleased to have an opportunity to address this committee regarding a matter of crucial importance to our membership, namely, the Ontario budget.

The Labour Council of Metro Toronto and York Region represents approximately 180,000 members in over 400 affiliated local unions throughout this region. Our members have been hit hard by the recession and have suffered greatly at the hands of federal Tory economic policies. Therefore, we are very pleased to discuss our view of the Ontario budget and its implications for working people and the citizens of this province.

The current recession is the worst recession in Ontario since the Great Depression and has had a devastating effect on working people everywhere. Estimates of job losses in the first year of the recession range from 215,000 up to 323,000 throughout Ontario. Those are figures that have been given to us recently by the Social Planning Council of Metropolitan Toronto. Similarly, estimates in the Toronto area run close to 135,000 in the same period, March 1990 to March 1991.

These figures are hard to comprehend, yet we have certainly witnessed the effect within our labour council membership. Thousands of workers are coming to us for assistance through our Metro Labour Education and Skills Training Centre, a special workers' education centre servicing the needs of employed and unemployed workers. They are the victims of the devastation in the manufacturing sector, and in this region they are older workers, immigrant workers, workers of colour and workers with low-level literacy skills.

The elimination of manufacturing jobs is significant. In 1981, one in every four jobs was in manufacturing, in

Ontario and in Toronto. By 1986, a little over one in every five jobs was in manufacturing. In the first quarter of 1991, less than one in every six jobs is in manufacturing; this has happened very quickly and it has had an effect on the entire economy. These manufacturing jobs are difficult to replace. They have traditionally been much higher-paying jobs than in most other sectors.

What is different about this recession too is that the jobs are gone for ever. In 1982, 24% of layoffs were due to shutdowns. In 1990, 65% of reported permanent layoffs were due to partial or complete closures. Business bankruptcies as well as personal bankruptcies have increased tremendously as a result of the recession.

In March 1991 the unemployment rate in greater Toronto reached 10.1%, and even this figure is misleading. What is not evident in the numbers is the amount of part-time, low-wage employment that working people now have to endure just to survive in the economy. For thousands who are still jobless in this city, however, they are being added to the welfare rolls and the ranks of the poor and the homeless. In May 1991 in Toronto we had 124,000 people on welfare every month, 120,000 people on family benefits allowance, over 175,000 people on Ontario Works, almost one in five on some form of social assistance in the Metro area.

It comes as no surprise to us that Brian Mulroney is fighting against the Ontario government's budget. That is because this budget is trying to do something different, trying to fight the recession rather than worry about the deficit. The federal government, on the other hand, pushes ahead with its agenda on behalf of big business. Its aim is not to satisfy the most basic social and economic needs of ordinary Canadians, but rather to maximize the profits of wealthy investors and allow them to restructure the economy according to their priorities. All of their policies and actions, which have led us into this recession, have been based on this premise.

The federal government has carried out cutbacks which have hurt all Canadians, but they have cost Ontario the most. Cutbacks to established programs, to the Canada assistance plan and other programs will cost the people of Ontario over \$1.6 billion. The result is increased pressure on the provincial programs, such as welfare and social services, which are designed to alleviate poverty. The freeze on established programs financing could well mean the gradual death of medicare as a national program enjoyed equally by all of us by the 1996-97 fiscal year.

One of the major reasons for the loss of hundreds of thousands of jobs in this country, and in particular in this region, has been the free trade agreement. Let's look at the myths created by the federal government when it signed the deal.

First is the myth of job creation. The federal government's predictions for employment growth under the free trade deal kept getting revised downwards, but at one time they predicted 350,000 new jobs. Even by conservative estimates, the Canadian Labour Congress indicated that up until early 1991 there have been 226,000 job losses directly attributable to the free trade deal. This does

include those lost in spinoff industries as a result of plant closures.

As we have indicated, the effect on the economy as a whole is almost immeasurable. When people do not have jobs, they do not buy goods and services. Unemployment in the construction trades is running from 40% to 80%. Mail stores and small service industries have been closed down all over the country.

The promise around our social safety net can be similarly exposed. The truth is that we have seen massive cuts in social programs as well as other cutbacks and clawbacks.

We were also promised the best training and adjustment measures in the western world by the Tories, but to the victims of free trade and plant closures are still waiting. In fact, according to the unemployed workers who come to our centre, access to training and adjustment programs is severely limited even where programs exist. Rigid criteria in the vast majority of programs and services, lack of available training seats and unnecessarily high entrance requirements are the norm. This is even worse for immigrant workers, who also face systemic racism, sexism and ageism when attempting to access programs.

Right now we are faced with the prospect of the Canada-Mexico free trade agreement. In our view, this will mean the same for working people in this region as the current free trade deal has meant: that is, jobs lost as companies flee the north; big business pressure to limit and cut back on social programs that provide a so-called subsidy to Canadian employers; increased pressure on cultural programs and supports; and a willingness to march to the tune of economic policies dictated by American corporations. After the devastation caused by the current deal, it is hard to believe that this government is willing to submit the Canadian population to further suffering. There is no concern expressed for whether the continued exploitation of Mexican workers or the possible effects on Canadian workers. We are pleased to see that the Ontario government has come out early against the extension of the deal to Mexico.

The imposition of the goods and services tax by the federal government is just another example of placing the burden on to individual Canadians and away from corporations. It involves a massive shift in tax burden and represents a massive attack on working people, the poor and the general population, just at a time when suffering is at its worst.

It has become clear to all that this regressive tax is hurting people even worse than predicted. According to the GST consumer information office, the average family will pay an extra \$570 a year in GST, about 50% more than predicted in government studies used to argue for its introduction.

The NDP government in Ontario has done all it can to raise objections and refused to harmonize Ontario's retail sales tax with the GST and refused to piggyback the provincial sales tax on top of it. This has meant a saving of \$70 million a year, money which stays in the pockets of Ontarians.

High interest rates hurt working people and hurt the economy, despite what the federal government has claimed. They have continued with their dual policies of high interest rates and a high Canadian dollar and as a

consequence have added to the devastation of the economy of Canada. They claimed that high interest rates are necessary to fight inflation, to support the Canadian dollar and to attract investment. Instead, the high interest rates have added significantly to business costs by raising the cost of capital and they have killed jobs in this country. They have maintained the Canadian dollar at artificially high levels, especially vis-à-vis the United States. This undercuts the competitiveness of Canadian goods and services in the US and adds to the devastation caused by the free trade deal.

It is in the context of all these regressive economic policies imposed upon us by the federal government that we must view the Ontario budget. We believe that it is a step in the right direction, not only for our members but for the entire population of this province. In the context of the recession and federal government cutbacks, the provincial government had to make some tough choices. In putting the wellbeing of people before the deficit, they moved in the opposite direction to the Tories. Mulroney's answer is to raise taxes and cut services, making the recession worse. The answer of the Ontario government is to fight the recession through:

- Sustaining and creating 70,000 jobs, so the province lost 260,000 instead of 330,000. Or, if you take the larger figures that we have heard recently, lost 330,000 instead of 400,000 jobs;

- Undertaking the most aggressive anti-recession effort in all of Canada through increasing overall spending by 13.4%;

- Creating the \$700-million anti-recession program. When combined with the contributions of local government and agencies, total spending will exceed \$900 million;

- Maintaining health care and education despite cutbacks from the federal Tory government;

- Responding to the need for action in such areas as worker protection, pay equity, social assistance reform, affordable housing and the environment;

- Putting spending power in the hands of Ontarians. By not imposing the provincial sales tax on the GST, \$470 million will be left in the pockets of consumers in 1991 and enriching the Ontario tax reduction for low-income earners;

- Creating a \$215-million social assistance reform package that is designed to provide benefits for those who are in greatest need, to help people get into the labour force, to increase fairness and accessibility and provide further relief to overburdened municipalities;

- Providing providing tax relief for the poorest of Ontarians by initiating the largest enrichment program in the history of the Ontario tax reduction program. This \$50-million enrichment means the number of low-income earners whose Ontario income tax will be eliminated or reduced will increase to 700,000 for the 1991 tax year;

- Allocating \$48 million in 1991-92 to help lay the groundwork for self-government and resolution of land claims for support for research and negotiations; \$30 million to be spent on community infrastructure such as waste and sewer systems; and \$5 million for 400 new child care spaces on reserves;

- Allocating an additional \$12 million for new shelter beds and enhanced services for women who are victims of domestic violence and an increase of more than \$8 million

to expand and enhance services to women and children who are victims of sexual assault;

A sum of \$125 million will be made available to Ontario's transfer agencies, to both major and other agencies, to assist them with the cost of pay equity;

An unprecedented level of provincially supported housing activity for the development of another 10,000 non-profit housing units which will cost the province approximately \$150 million in annual operating subsidies when completed.

Big business spokespersons, the media and the opposition parties have all criticized the budget for its deficit. When the NDP came into government, it discovered that the budgetary surplus confidently predicted by the Peterson Liberals was a \$2.5-billion deficit. Since then, facing the worst recession in 50 years, the government has made tough choices while managing taxpayers' money carefully and compassionately.

In all of the discussion of the province's budgetary deficit, little attention has been paid to its causes. Most of the deficit comes from the financial reality of the recession: falling revenues, increasing costs in health care, social services and education. A very large part of it is the impact of federal transfer payment cuts. The cumulative impact of federal cutbacks in established programs financing is costing Ontario \$3.6 billion in 1991-92 alone. Last year, provincial revenues fell at the same time as more people required social assistance. We have documented the situation in the Toronto area above.

Ontario's projected deficit of \$9.7 billion is moderate if considered in perspective with the record of recent Conservative governments. The Ontario deficit is comparatively low in terms of total spending, in terms of gross domestic product and in per capita terms with other provinces and with federal governments under Conservative governments. The Ontario Federation of Labour has documented this in its brief.

Spending now is critical to stimulating economic growth, to responsible fiscal management and to helping our fellow citizens in difficult economic circumstances. As the figures above demonstrate, Ontario spending is not out of control. In fact, it is less than other provincial governments spent to get out of the last recession.

Ontario's public debt charges, the interest cost of carrying its debt, are low as a share of its total revenues. The federal government spends 36 cents of every dollar of revenue as interest on its debt, spending which only serves to benefit investors and bond dealers. In contrast, Ontario spends less than 10 cents of every dollar of revenue on interest costs, less than every province except Alberta and British Columbia. These costs will rise to 11.6 cents next year, still far below the federal rate and less than the debt charges of most provinces.

Ontario lost its triple A rating, but so did the Liberal government when it first came to power. They did not regain it until four years later.

The Ontario government has got a bad rap for this budget from much of the corporate press, but there are many other who believe the government is to be commended for its initiatives. Working people in our community believe

that this budget is a step in the right direction, and there have been others who have indicated their support, including the TD Bank, with its guarded support, and recently the Conference Board of Canada, and even more recently than that a list of progressive economists including Mel Watkins and other high-profile economists in this country.

In conclusion, we would like to thank the government of Ontario for holding public hearings on the budget and providing us with an opportunity to present our views. Our members are well aware that Ontario's economy, like other economies around the world, is undergoing, and needs, restructuring. We want an efficient economy which provides secure, well-paid jobs at high levels of employment. We want an economy which is highly productive yet is environmentally as well as socially sustainable, an economy in which the benefits of growth are shared fairly. In our view, this budget is a major step in the right direction. It represents an investment in the people of Ontario to lay the groundwork for sustainable prosperity in the 1990s.

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The Vice-Chair: We have about three and a half minutes per party for questioning, starting with the governing party.

Mr Christopherson: There has been a lot of concentration on the deficit number of \$9.7 billion itself. Many in the business community are hollering that this is going to weaken the economy so badly that business, along with money, will flee to other places. The net result will be a loss of jobs. As an organization that represents 180,000 working people, a credible, sophisticated organization which has the means to research and do its homework on these matters, why does it not share this vision of impending doom with regard to jobs in this community as it relates to the budget?

Mr Clancy: I do not think we can really say we do not see some impending doom, but we really do not see the impending doom being caused by the spending of the government in its first budget. We do not see that getting into deficit is the reason why we are going to lose jobs in Ontario.

I think we have a much worse enemy than any deficit that the Ontario budget could have created, and that deficit happened to be the gentleman who sits in Ottawa and constantly tries to erode the whole protection we have as a country as far as workers are concerned. We have lost more jobs because of the free trade agreement than we will ever lose by a deficit the province is going to create as a government.

With the impending free trade deal with the Mexicans and Americans, we are still going to have that kind of problem. On a positive note, we feel the government has moved forward in the area where it could move forward and supported workers in the public service, and in supporting workers in the public service it at least has shown to other workers that we have a government that is interested in workers.

It is sad that the government does not have the opportunity to do some of the things in the short time it has been in government that we expected it will be able to accomplish

long term, as far as job protection and other things like it are concerned.

Mr B. Ward: Since these hearings have taken place this week, I have been amazed at the number of groups that have come out in support of the budget and of diverse backgrounds, from accounting and from social groups. Just yesterday a business organization came out and commended the Treasurer.

We had one economist give a brief. I was a little concerned by his view of a particular segment. I would like to focus on the impact the federal policies would have on Ontario, and you touched on it. This economist, from a well-known brokerage firm, stated that the high dollar and high interest rates really did not have much of an impact on Ontario's economy. I was just wondering if you can expand on what you stated. What is your view of that comment?

Mr Clancy: I am not sure who the economist was, but I think we have run into a situation, again with high interest rates, and not, as economists and the government like to say, high interest rates that the market determined; but high interest rates foisted on us by the Bank of Canada that were put there mechanically. They were not interest rates that had anything to do with what the marketplace was doing or anything else. Those interest rates certainly made it difficult in Canada and especially in Ontario in the area of construction, house building and things like that.

I really do not want to constantly criticize the federal government, but with the economic policy of the federal government, what else can you do in this country but criticize the federal government? It certainly has done more than any group in the world to destroy the fabric of Canada, both economically and socially. Those kinds of policies have made it impossible, really, for an economy to grow.

With putting that kind of cap on the ability of an economy to grow and then undermining that economy even more, and the people who depend on that economy, the workers in this country, by allowing a free trade agreement where we made a level playing field for the Americans but forgot to put a spot on that level playing field for Canadians, I am not sure anybody can say that interest rates really did not impact on the slowdown of growth in Ontario. I am not really sure what that economist said, because I have not heard any of his remarks, but you cannot have a manufactured interest rate that has nothing to do with the marketplace that is not going to stifle the economy.

Mr Phillips: I was interested in your opening comments about the confidence you have in the government. This was just a bit curious to me. When the government came in, I think the unemployment rate in Ontario was the lowest in all of Canada. Now there is a lower unemployment rate in at least four of the other provinces, in spite of full employment and all those other things. So the working people of Ontario, which is everybody, I guess, will also be looking at the ability of this budget to kind of turn the economy around. I guess that will be a measure that we will probably be talking about with you next year.

I think we have kind of seen two kind of responses to the budget now. There is a pattern emerging from these hearings. One group will come and say, "Listen, the budget is

going to do nothing to get the economy rolling again, and all those who rely on the government for assistance are going to be worse off because there won't be the ability of the economy to fund their programs." Others say: "This budget is great. It will get the economy going. We love it." It is a bit like forecasting weather, because probably we will not know for another year, but how will the government sustain your confidence? What will things look like a year from now as a result of this budget that the labour council of Ontario will say, "Yes, this budget has worked"?

Mr Clancy: I do not want to try to use a crystal ball. I think we really have to take a look at what this government has done initially in saving about 70,000 jobs in the public service, what it has done in providing incentives for construction and for work programs in a period of time when the economy was in a downspin and everybody was saying to the government, "You can't spend money." I think a government with the intelligence to take a look at what really needed to be done and the courage to do that is a government that gets confidence from workers.

One of the reasons we really do not see the great swell of confidence from workers is because really, with great respect to the press and those people who own the press, this government does not get the kind of publicity the opponents of this government get. It is far easier in this society, with this government, which is doing things that are non-traditional in the role of the governments we have had since I was a boy, Liberal and Conservative governments—this government has taken some initiatives to try to help working people in this society through this difficult period of recession. Not so with Conservative or Liberal governments that have been around since I was a young fellow. I think that gives us a great reason to have confidence in the government, and not only confidence in what it is doing today, but confidence in what we see it will be able to do in the future because of those kinds of initiatives and that kind of thinking.

The Vice-Chair: We only have time for a very brief question and a brief response.

Mr Phillips: How would we explain the unemployment rate, then, going from the lowest in Canada?

Mr Clancy: That is very simple to answer. I really wonder why somebody who deals with the public interest, as you do, would not know the answer to that. First of all, the unemployment rate is geared to the fact of the competition created by free trade, the competition that is being created by the fixed interests that have caused companies to leave and go wherever they thought there was a better climate to do business, to Mexico, to the United States, those kinds of things. The previous governments protected the workers from allowing that to happen.

Mr Phillips: But that would be true across Canada.

Mr Clancy: Not so much as here, because this is generally the base of Canada.

Ms Wall: If I could just complete the answer to that question. If you look at the past year, it is not the Ontario government that created that rise in unemployment. It started during the height of the recession. Early 1991 is when it really started to hit. Those factors have nothing to

do with the Ontario government. They have to do with the federal government's policies and, combined with the free trade agreement, the recession.

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Mr Sterling: I guess if I were a businessman and had money to invest, I would look at various areas I could make profit in. We have had evidence in this committee that business is getting a return of about 4% profit on the gross domestic product of this province at this time. While wages have increased significantly over the last 20 years, profits have dropped significantly for business owners.

We have a budget in Ontario with a \$9.7-billion deficit, a \$7.8-billion deficit over the next few years. If I am an investor and am looking at this jurisdiction, I am saying: "I can only make 4% on my money if I come here. I can only expect higher provincial taxes because this government is running up the debt." Why would you invest in Ontario if you had some money to place here?

Mr Clancy: If I were an investor and looked at the 20-year record you just spoke about, I would probably be more convinced that this could be a place where I could invest. In 20 years, if my ability to earn interest on my investment put me in a position where I was down to 4%, because 20 years ago it was a hell of a lot more than that—I do not know the exact figures, but I also know what wages were 20 years ago. Corporations were making more money than that 4%, and I am taking your figures of 4% as being accurate. If the governments of this province have put us in that bad position and I were going to be the investor, I might be hesitant, but not on the record of this government. I think I would be more hesitant on the record of the governments that put that kind of situation in place.

I do not see how you can lay 20 years of history on a government that has been in place for nine months. The government is creating a deficit that it feels comfortable it can reduce over the next few years by \$2 billion. I think that is really a comfortable position for somebody coming in as an investor. I think that is something that would be comfortable.

We have been overtaxed for years, but I do not think it was this government that put in the taxes that have overtaxed us for years. If I were really concerned about investors, I would be coming here from a different perspective. I am here representing workers, not investors, and as far as the people I represent, this government is doing something the other governments did not have the courage or the initiative to do. From this we will see a stronger economy grow in Ontario, and it will grow on the basis of those kinds of initiatives. That kind of stronger economy is going to attract, not detract. Investors are going to come to this community to invest their money. I do not see anything this government is doing right now that is going to drive away investment. I think there are a heck of a lot of other things that have happened, not by this government, that have caused investment to go south.

TORONTO-CENTRAL ONTARIO BUILDING AND CONSTRUCTION TRADES COUNCIL

The Vice-Chair: Our next presentation is by Tony Michael, business manager of the Toronto-Central Ontario Building and Construction Trades Council. Do we have a couple of other people making the presentation?

Mr Michael: One other, I guess.

The Vice-Chair: I guess this other person is a stranger to these committees either.

Mr Michael: He is not a stranger to me either.

The Vice-Chair: If Mr Michael and Mr Majeski would like to begin your presentation.

Mr Michael: As usual, I will read it out and have questions after. To the Chair and members of the standing committee on finance and economic affairs, the Toronto Central Ontario Building and Construction Trades Council is pleased to submit our views and those of our council members on the issue of the 1991 Ontario budget. The council represents approximately 40,000 construction workers in the industrial, commercial, institutional and residential construction sectors. It is composed of 31 affiliates.

My name is Tony Michael and I represent the Toronto Central Ontario Building and Construction Trades Council whose major construction unions are facing a devastating amount of unemployment. Unlike the last recession, there have been no federal initiatives to create employment as a stopgap measure. When coupled with the Tories' financial cutbacks of transfer payments, construction workers are deeply affected. Many of them are reliant upon social assistance for the first time.

We would like to start off by saying categorically and unequivocally that we, as 40,000 unionized construction workers in the Toronto-central Ontario region publicly support the initiatives taken by the current government in its 1991 Ontario budget. We want to make it crystal clear that we totally disagree with some of the spokespersons of the business community who have been sounding off alarm bells and spilling crocodile tears regarding the increase of the provincial deficit.

The name that quickly comes to mind is Conrad Black whose only claim to fame in Ontario was the selling off and dismantling the Dominion store chain. Conrad Black's blatant attempt to cheat thousands of employees of millions of dollars of surplus pension funds clearly exposes him as a fat cat with no social conscience.

Therefore, we are very sceptical about the current criticism led by both the media and the other provincial opposition parties, considering this government inherited a financial mess from the previous Liberal government to the tune of approximately \$2 billion. Compounded by the federal government's high interest policy, the GST and the disastrous free trade agreement which in reality have caused havoc in the Ontario economy, we take this criticism with a fair dose of scepticism and think the old adage, "People who live in glass houses shouldn't throw stones," is totally applicable to the rhetorical lambasting of the political opposition parties.

Clearly this government had two choices. One was to cut back on government funding and plunge the province even further into recession, which is already in a disastrous state, or it could do the responsible thing and try to kickstart the economy with some badly needed infusion of government funding of crucial segments of the Ontario economy which is exactly how the Conservative government under Bill Davis responded to the recession in the early 1980s.

It is kind of odd that there are two perceptions about the Ontario economy and the current provincial deficit. On the one hand you have some corporate spokespersons being very critical of the budget, whereas the Conference Board of Canada, not exactly left wing, is very positive about the 1991 budget. One clearly has the option of either listening to the Conrad Blacks of the world or the prestigious Conference Board of Canada. We think the latter is a more credible source of financial analysis with respect to the government's budget.

Before we address the specifics of the Ontario budget, I think it is both important and relevant to discuss the role of the federal government because we feel some of the major problems in Ontario are a direct result of the Mulroney government's fiscal and monetary policy. It is ironic that the state of the Ontario economy is a direct result of the USA-Canada free trade agreement that has virtually decimated the manufacturing sector in Ontario, i.e., a loss of approximately 240,000 jobs. This was further compounded by the federal government's slavish adherence to high interest rates and their infamous revenue-neutral goods and services tax, which has been an unmitigated disaster in certain sectors, i.e., the housing sector and construction in general. What we find hard to swallow is the federal government policies which on one hand virtually brought the current Ontario economy to a standstill, while on the other the GST is a federal cash cow bringing in billions and billions of tax dollars above projected GST revenues. At the same time the federal government is actually cutting back on transfer payments to provinces in the areas of health, education and social programs. This GST revenue generated by taxing consumers and average Canadian taxpayers while virtually leaving the business community off the hook in terms of its corporate responsibilities.

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We also agree that by putting spending power in the hands of the public by not imposing the provincial sales tax and the GST, \$470 million will be available for consumers to spend in 1991. This kind of economic stimulus, when coupled with the sustaining and creating of 70,000 jobs and an aggressive anti-recession effort, instils confidence in the private sector. It acts as a catalyst for further investment and helps to level out the worst effects of the recession on construction.

It surely gets one to wondering what Mulroney's vision of national unity is if, in the final analysis, the working people of this country are losing jobs in record numbers as thousands upon thousands of firms are going bankrupt. This, in real, human terms, means that tens of thousands of Canadians have to suffer the many indignities attributed to unemployment.

We believe the Ontario deficit has to be seen within a larger context, and within that larger framework we do not see how the government has any other choice but to increase government spending and increase the provincial deficit.

This is a made-in-Canada recession. High interest rates and the high dollar caused the recession to hit Canada first. The long-range indicators in the United States are predicting a slow and uneven recovery. In particular, the industrialized northeast will be the last to receive the benefits of recovery.

This slow and uneven recovery as predicted usually has a mirror-image effect in Canada. One can expect, then, that Ontario, the major manufacturing centre in Canada along with Quebec, may have a similar sluggish recovery.

You have no doubt been bombarded by statistics showing this is the worst recession Ontario has experienced since the 1930s. Without repeating the statistics let me make it clear that one cannot view this budget without taking into consideration the severity of the recession. From our particular point of view, that of construction, the major industrial restructuring occurring simultaneously with the downturn in the economy has implications beyond the manufacturing sector. It directly affects construction. One needs only to look at the housing market and the fact that the government has less money to maintain and improve the infrastructure.

We now want to turn to specific items in the budget which we think are very positive for us as construction workers. Let us start off by saying we welcome the budget initiatives regarding affordable housing, especially in the co-op and non-profit housing sector, which will provide 20,000 much-needed jobs in the housing sector. We say this for two reasons. First, these housing units address the serious question of housing affordability. Second, this type of economic stimulus also provides for much-needed jobs in the housing sector.

We also welcomed the announcement of another 10,000 non-profit units over and above the original allocation of 35,000 co-op and non-profit units, which we think is another positive aspect of the budget. We applaud the provincially supported housing initiatives. The development of another 10,000 non-profit housing units has a tremendous and positive effect on the construction industry. Building statistics indicate that for every unit slightly over two jobs are created. In addition, one must see the initiatives in housing as having a ripple effect on the economy. It creates a demand for building materials, for the construction of roads, sewers, watermains, etc.

In summary, we are extremely pleased with the social housing initiatives, but we also think it is both timely and appropriate to say that we also do not think the role of the private home builders should be either overlooked or underestimated in the overall housing sector, especially in a mixed economy such as Ontario. There is a very important role for the private housing market, and the question of affordability is an issue that has to be addressed by this government and by the private housing sector. We do not think it is an either/or situation when it comes to housing. We believe social housing and market housing have a vital role to play in the Ontario economy.

While we are on the issue of housing, we also have many reservations about some of the major impediments or issues facing the housing industry, especially the question of municipal lot levies. We say this because this whole question of municipal education lot levies, development charges, is seriously hurting the housing sector and is producing a negative impact on the whole concept of affordability. Thus, we think this government should seriously look at this issue.

Last, the whole question of streamlining the land approvals process has to be seriously looked at, because the present land approval process negatively affects the delivery of social housing as well as market housing. We urge this government to seriously review the whole land approval process. Furthermore, even though it is not a direct budgetary issue, it ultimately has long-term effects on the housing industry in terms of Ontario capital expenditure, both public and private.

We welcome the government's commitment to provide \$4.3 billion in capital expenditures for public facilities such as schools, hospitals and transportation systems, plus the additional \$300 million in capital funding allotted for schools committed for 1994 and 1995, which we feel will provide a much-needed stimulus to the construction industry.

One final comment on the capital expenditures which concern us is the whole question of revising the currently outdated provincial fair wage policy. We, as unionized construction workers, are very much concerned about the current outdated provincial fair wage policy which, for your information, is now five years out of date. Moreover, we urge this government to revise and update the provincial fair wage policy as well as making sure that any new provincial fair wage policy is both monitored and enforced.

As construction workers, we welcome the initiatives on the employee wage protection program and we think it is high time employees now have some protection against pay claims by bankrupt employers and businesses. We also welcome the labour market adjustment initiative to help workers access and re-enter the job market and improve their skills.

We welcome the \$700-million anti-recession program which, when combined with the local municipal government agencies' contributions, will total approximately \$900 million. Just for your information, this \$700-million program is presently being implemented, resulting in the creation of thousands of unionized construction jobs across Ontario. As construction workers, this represents responsible government, as it represents concrete advances in terms of actual new construction created from the government's anti-recession program and not rhetoric.

In essence, we feel very positive about these specific budget initiatives and for the record we commend the Ontario government for also introducing specific policies which will address the following issues: prevention of violence against women, financial assistance to farmers, helping and addressing the very special and unique needs of the aboriginal people and the people in the north, provision of loans and loan guarantees to small and medium-sized manufacturing firms, and we very strongly support the municipal programs regarding the whole environmental question.

We are not suggesting it is the duty of government to recklessly try to spend its way out of a recession. As James Frank, chief economist and vice-president of the Conference Board of Canada noted, a decreased deficit would have had an adverse effect on the economy in Ontario and in Canada. In fact, the deficit is modest, especially when one considers the conservative figures which were used in projecting the continued deficit over the coming years.

As you know and have no doubt heard from other presenters, most of the deficit comes from the financial reality of the recession: falling revenues and increasing costs in health care, social services and education. These ongoing costs have been exacerbated by the federal cutbacks.

If one considers the Ontario deficit comparatively, in terms of total spending, gross domestic product and in per capita terms, with other provinces and with the federal government under the Mulroney Conservatives, the present deficit fares well. This is one case where a comparison is not odious but instructive.

In summary, we think the 1991 provincial budget is balanced and large a very positive budget and we want to go on public record as being supportive of both the budget and the provincial government. Thank you.

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The Vice-Chair: Thank you, Mr Michael. We have about three and a half to four minutes per party for questioning, starting with the official opposition.

Mr Kwinter: Mr Michael, I was a little disturbed by some of your comments in that all the wisdom seemed to be on one side. In other words, everything anyone else said that was opposed to what you say is bad and what you say is good. I will give you an example. You talk about the financial mess of the previous Liberal government to the tune of approximately \$2 billion. I do not want to quarrel with that. I mean, the number was a manufactured number by the Treasurer and whether it is a true number or not there is no sense arguing about it. The point is, why is a \$2-billion deficit, whether it is true or not, a mess, where a \$9.7-billion deficit is not a mess? It is a great thing. It is wonderful. It is something that you encourage.

Mr Michael: One reason is that a \$2-billion mess was a lie. It was never announced or never presented.

Mr Phillips: It was what?

Mr Michael: It was a lie, because we were told through the media and through other sources that there was money there, not a deficit.

Mr Kwinter: The point is that when you project a deficit, as you do in your business or any other organization it is a long-term plan of what you expect will happen. Even in business, every organization at the end of that time, if it is lucky, and it really is luck, is bang on. Usually they are off. They may have either overestimated or underestimated.

I suggest to you, sir, with respect, that the \$9.7 billion come March 31 next year, will not be the number. It will be some other number. If they are lucky, it will be lower and my prediction is it will be considerably higher. You do not say the Treasurer was a liar. They use the best information they have a year ahead of time as to what they think is going to happen.

My question is, when you talk about these things, there are contradictions throughout. On the one hand you say it is a made-in-Canada recession and on the other hand you talk about the problems in the United States and its recession. Did we have any impact on the recession in the United States? All of these things impact on the credibility of the arguments.

Where would you be without James Frank? Heaven must have sent him, because every single presenter who is reporting the budget zeroes in on James Frank and totally counts everybody else. They discount the rating series, they discount every other organization that is critical, as if to say: "What do those guys know? James Frank is the man who knows everything about anything. If he says it's great, then we think it's great too."

Mr Michael: We could have quoted Galbraith too, I guess. We left him out because I guess he now lives in the United States, but he is a Canadian. I guess we could have quoted Mel Watkins and a few others, but we just stuck with the one.

Mr Kwinter: Totally impartial.

Mr Majesky: I guess, Monte, with great respect, if we had quoted Mel, you would have said, "There was some specialist that you sneaked in through the back door." I thought the comparison was quite credible, Conrad Black versus the Conference Board of Canada. The brief very clearly said, "Would you take Conrad Black's vision of the world or that of Peters?" We opted for that of Peters. You can take that for what it is worth, but that is what we said in the brief.

Mr Kwinter: Why do you have to exclusively zero in on two individuals, either one?

Mr Majesky: I guess if we had the time, we probably could have come up with others, but the brief happened to be them.

Mr Phillips: Just a quick question, and that is around these, which I think are quite important to your members.

Mr Michael: That is what we were talking about.

Mr Phillips: Only a year from now will we know, but in June every single province in the country improved its employment rate except Ontario. In June Ontario's unemployment rate went up. So at least maybe there is a question that says in terms of the economic stability and growth in the province, the government may not be on the right track. I know it may be a little bit early. In terms of our members getting jobs, are you convinced, Tony, that this budget is the budget that will ensure that your membership has the best economic outlook?

Mr Michael: It is the best we have on the table right now, yes.

Mr Phillips: It is the only one.

The Vice-Chair: I am sorry, Mr Phillips. I cannot allow you to continue. Your time is up.

Mr Phillips: A year from now, I guess we will know.

The Vice-Chair: Moving on to the third party, Mrs Cunningham.

Mrs Cunningham: Just sort of a philosophical statement to start with. I think all of us realize that things are not easy in Ontario right now. There is a lot of unemployment, even in the construction trades. I am from London and have met with a lot of small business people who are involved in construction and with their workers who do not have jobs. We were particularly happy to get a couple of road projects in the city. One of them is still being held up.

It has been held up for eight months because of the environmental issue that we are dealing with the government on with regard to noise and pollution, which we have been through for two whole years. The city has had to spend \$200,000 for more studies which will not do anything, and our construction people are not working, even though that program has been announced. There has been no money spent, and we cannot get started on a major construction program.

I do not think the problems we have in Ontario are going to be solved by standing up for one party or another party any more. I think it is going to take all of us working together to come forth with solutions for the very significant problems that we have. I am the mother of two boys who had jobs in the construction industry for the last four summers, and they did not get them this summer. That is how bad things are in London. I am speaking from the heart, obviously.

Mr Majesky: What is the question?

Mr Michael: I guess if all the parties were working together as they should be, then we would not be here today.

Mrs Cunningham: No, I do not think it is that simple in Ontario. I must say that I have been an opposition member here for four years now and I think I have had a positive contribution. I do not think that if we continue bashing any government, the previous government—I am a Conservative and I am saying this—we are going anywhere in Ontario.

I am happy for your remarks on page 8 where you talk about the private housing market and say you think the role of private home builders should not be either overlooked or underestimated. They will be speaking to us later on today, so we will hear from them.

I am pleased you have noted some of the initiatives of this government, but I have been here for four years and all of those programs have been supported in the four years I have been here and I hope they can be supported more.

I will say that the one thing that has been missing in the briefs before this committee, with the exception of the last one, is a cry from the public for efficiency in government. That, I think, is missing, and I think any member here would agree with me that we have a lot of work to do in providing efficient programs that support the real world, and that is the world of work, so that we can be competitive. That is the kind of stuff I was hoping to see, some ideas. On the other hand, there are four or five suggestions that we will take to our caucus as a result of your brief.

I guess I am not asking questions.

The Vice-Chair: You are making a comment; fine.

Mrs Cunningham: I have four or five positive suggestions from it, and I will take it and raise it as an opposition member in assisting the government in your policies. So I thank you for that.

Mr Michael: On behalf of the council, I also thank you.

Mr Jamison: I apologize for coming in a little late. I have a question and it deals with the amount of money that has been spent on infrastructure, housing, whatever. Just to get an idea, would you be able to tell me what the situation would be without this type of assistance in spending?

Mr Michael: Just very basically, it would be a heck of a lot worse. Taking one example, there is the creation of 20,000 jobs by the starting of the 10,000 units. That goes on. There are other examples of the same thing that would not have got started. There are a lot of developers sitting on very expensive land and it is costing them X thousands of dollars per week just to keep sitting there. This incentive initiative has got them going. They are building this kind of housing on that kind of land. That puts our people to work and it puts private industry into a working mode. So yes, there are all kinds of things that have started from that point. Some may say, "Well, it is very small," but listen, a little bit is better than none at all. This is exactly what we are very pleased to see.

Mr Majesky: Let me draw it into even sharper focus, because Monte and Gerry and I have been around before. Local 183 of the Labourers, about 17,000 strong—

Mr Michael: One of our affiliates by the way.

Mr Majesky: One of the affiliates of the building and trades council. Probably we are looking at 60% to 70% unemployment. Those are figures that I have never seen in my 25 years in the construction industry in Toronto.

Mr Kwinter: Is that now?

Mr Majesky: Right now.

Mr Michael: We have 40% unemployment.

Mr Majesky: Yes, so these 20,000 units in our area—clearly understanding, and I am not politically stupid, that there was an initiation on the part of the previous government, but these kinds of initiatives at least take the sting out of that to put these labourers back to work. We have labourers who have never seen welfare in their lives, ever, culturally and for a whole bunch of reasons, who are on our welfare, so these kinds of things, when you look at them, are real and very positive. I am not saying that they are 100% back to work, but 20,000 units puts some of the guys back to work, and the units are built by the private sector. They build it and the private sector are the builders, so they are both happy in that respect. I do not want to belabour it. That just puts it into a clearer focus.

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Mr Michael: Many of these construction workers have run out of UI benefits, and it did not help to have those cutbacks that came through recently, because it put them on the welfare rolls. As Wally just pointed out, many of these construction workers have never experienced that kind of humiliation, if you wish. They want jobs at what they are good at, at what they are trained for and so on. This is kick-starting it, if nothing else, getting in the right way.

Mr B. Ward: We were told by Local 183 that because of the initiatives, unemployment has turned around into employment.

Mr Michael: Exactly.

Mr B. Ward: Just a quick comment on your thoughts for the future: Do you feel that it is going to take the co-operation, as Diane said, of all three players—business, labour and government—working together to solve our problems and tackle the challenges that lie ahead?

Mr Michael: Absolutely, very much so, and all the parties in the House must co-operate to get this economy going, but we may have to wait until 1993.

Mr Majesky: The other part is that you cannot tackle the housing industry in Ontario if you are going to be talking about high interest rates or whether it is going to be a 95% down payment. These are federal initiatives, so it takes two levels of government. This government cannot deal with down payment, so it takes three parties. Business, labour and the feds have to be on board. Whether they are or not is for another day's discussion.

Mr Michael: We appreciate the difficulties you are having in trying to wave magic wands to get things going here on a provincial basis when the federals are opposing you from start to finish.

CITIZENS FOR PUBLIC JUSTICE

The Vice-Chair: Our next presentation is from the Citizens for Public Justice, Gerald Vandezande, public affairs director. Welcome to the committee, Mr Vandezande. We have approximately one half-hour altogether and whatever time you use up in your verbal presentation will be subtracted from the time for questions, which will be divided between the three parties. Perhaps you would like to commence your presentation.

Mr Vandezande: Mr Chairman, thank you, on short notice, for allowing us to appear before your committee. I have given the clerk a copy of my notes for comments this morning. I assume they have been distributed to the members of the committee. I have also given the clerk copies of previous presentations that we made to the standing committee in 1988 and 1989 because I think they are still relevant. I only gave the clerk one copy of each, but perhaps they can be duplicated because I am sure that both the government as well as the opposition members would be interested in reading some of the proposals, one of which was endorsed by the 1989 standing committee, namely the proposal for a roundtable.

A brief word of introduction about Citizens for Public Justice. It is an independent, non-partisan organization dealing with the development and advocacy of public policies from a biblical life perspective. We have dealt with questions of energy policy, social policy, tax reform, human rights, including the native self-government issues, and have served as advisers to the Assembly of First Nations and other native groups.

There is a slight correction under item III, the reference. In addition to From Welfare Dependency to Social Responsibility, the brief we presented in 1988 is entitled Toward Economic Equity and Social Justice For All.

I have also given to the clerk a major proposal that was made to the federal government in February 1986, which hit the headlines, which received the endorsement of all the churches in this country, as well as the trade unions and a number of business organizations, and which demonstrated that by an \$11-billion shift within the federal budget we could make major strides towards, if not entirely eliminating poverty in this country and at the same time create a net 295,475 new jobs.

We had extensive discussions with the Department of National Health and Welfare as well as the Department of Finance. There was no disagreement as to the accuracy of the figures that we produced but whether, ideologically or otherwise, it was an appropriate thing to do. The reason I mention it is that we have, from time to time, done extensive research as to what might be done to bring about a more meaningful economy that does indeed do justice to the various socioeconomic needs of the Canadian people. It is from that perspective that I, in a non-partisan way, want to bring some issues to your attention this morning.

I want to share with you that I am an accountant by background. I used to be employed with the Bank of Montreal and with Ethyl Corp for a total of over 10 years. Figures fascinate me because they demonstrate where a people's priorities are, including a government's. That is why we participate in these and other provincial governments' hearings, because economic and social needs must be met if we are to continue to be the kind of strong and free country that we ought to be and can be. That is why we participated in the hearings of the Social Assistance Review Committee and played a major role in putting forward some specific recommendations.

I urge the committee to look at that report once more. I remember meeting with Premier Peterson, who at the time had already endorsed the report and agreed with our approach to it, as well as key members of the Conservative and New Democratic parties. My hope is that much more can be done in a non-partisan spirit, as Ms Cunningham stressed just a few minutes ago, so that we not take partisan shots at each other but tap into the best resources, insights and experience that we have in Ontario to bring about economic and social justice that does justice to our shared responsibility to Canadians to help meet the needs of people.

In that context we recommended, and this committee has endorsed, that, "The government establish a provincial roundtable on social policy and the economy, to provide for the integration of social and economic policies." That roundtable, which was recommended in April 1989 by our committee, has not yet been established. We would strongly urge, because it received nearly unanimous support from the committee, that you once again make that recommendation, because unless we integrate economic and social policies we will not have the kind of balanced development and sensible approach to budget-making that is essential in order to eliminate poverty, unemployment etc.

Major steps have been taken by Premier Bob Rae, following up on Mr Peterson's initiative, that there be two premier's councils, one dealing with the economy and quality of life, the other with health, wellbeing and social justice. We still strongly believe those two councils should work in tandem and should themselves be integrated so that we get integrative recommendations. Too often people in government, as well as in the business community and social networks, have polarized the question of economic versus social needs. I think you cannot have a balanced development of human life and of the economy unless you integrate and look at the issues at the same time so that you have a simultaneous recognition and realization of some major things that need to be done.

I draw to your attention, on page 2, the basic fundamental objective for reforms that the Transitions report recommended and that was basically accepted by all parties. I think that fundamental statement should also again be drawn to the attention of the government, particularly the Treasurer and the cabinet ministers responsible for setting the priorities of the 1992 budget.

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This committee itself endorsed that approach by Transitions and recommended the complete implementation of stage one—major steps have been made in that direction—and also recommended that there be a cross-ministry cost-benefit analysis and, again, as I mentioned earlier, the establishment of a provincial roundtable. I think we need to move to that.

I looked at the list of people who appeared before this committee in the past and this year and I do not see people off the street appearing before your committee. I got up this morning—I live in a comfortable home—could enjoy breakfast, came here, had a coffee at the taxpayers' expense, can have lunch today. We sit in an air-conditioned room and all of us probably will have one or two weeks' vacation this summer with our families. There are hundreds of thousands of people who cannot have any of that this morning. In a few minutes I will draw your attention to some major reports that have been produced by the federal government, as well as by citizens of Ontario, to remind us of that bitter reality.

The reason I say that is that unless we realize that in a few months from now many hungry, homeless and unemployed people will again roam the streets of Toronto and other communities throughout Ontario and unless we realize that we all have an obligation, both government and the non-government sector alike, to come to grips with those socioeconomic ills and injustices, we really are not living up to our responsibility as a people.

That is why, on behalf of Citizens for Public Justice, I remind you of four cornerstones that we think are crucial. I want to read them into the record. These four cornerstones have been previously submitted to the former Premier, Mr Peterson. We have discussed them with Mr Rae as well as with spokespersons for the Conservative Party at the time, Mr Brandt and others, and they all agreed that they made eminent sense.

Human dignity is the first one. The right of all people to be treated with love and respect should go without saying.

Second is mutual responsibility, the duty of each to contribute to the community and the duty of the community to care for, and share with, all people.

Third is economic equity, the right of all persons and communities to worthwhile work, fair employment conditions, adequate education, health, housing and income security provision.

Fourth is social justice, the right of all persons and communities to full participation in the life and decision-making of Canada, and Ontario of course, and to adequate access to basic resources, within the context of our communal calling to practise responsible stewardship—I call that environmental responsibility and integrity—so that we move towards sustainable development and a stewardly,

responsible economy. In short, what we need is socio-economic responsibility based on stewardship by all and justice for all, putting people and the environment first.

In that context, Citizens for Public Justice want to make the recommendation that you as a committee strongly recommend to the government to make the elimination of hunger and material poverty the number one priority of public policy and, second, strongly urge other provincial governments, and especially the federal government, to establish the same priority within the context of an integral socioeconomic policy approach that takes into considering the cornerstones about which I spoke just a minute ago and the need for the development of an economy and the meeting of social needs that does not make for lopsided, profit-oriented development but really thinks in terms of a responsible economy that meets the needs of all the people.

In that context, I think it is up to the government to demonstrate full employment—and by that economists allow, as you know, for a 3% to 4% unemployment rate—as well as affordable housing; a guaranteed adequate income, which is as old as the Macdonald report which produced those massive volumes on the future of Confederation; as well as better human support services such as accessible, quality child care, which was also recommended in the Transitions report.

I think this commitment should be demonstrated by further changes in the provincial budget, through recommendations from the provincial roundtable and the two councils I mentioned which the Premier has appointed. I think the roundtable should be representative of the various major stakeholders in both the economy and social policy so that there is this co-operative approach about which the Treasurer has also spoken, about which Ms Cunningham spoke a moment ago and which Mr Peterson took some initiative on when he was the Premier.

I think we need that kind of review of past policies, current policies and long-term policies so that we can say that together we are moving forward to the kind of just and responsible society that Canada so desperately needs. Ontario could be an example. In that context, it is our conclusion—and I have spent a fair bit of time going through all these records—that the 1991 budget could have done more to attack the province's serious economic ills and grave social injustices, by giving clearer, more specific preference to the elimination of homelessness, hunger, poverty and unemployment.

I want to remind you of the 1966 Canada assistance plan agreement that was entered into by all the provincial governments and the federal government. Two of the objectives formally subscribed to by all the provinces 25 years ago were the prevention and the removal of the causes of poverty and, second, that we remove dependence on public assistance. Those were the stated official objectives of that intergovernmental agreement between the federal government and all the provincial governments.

It is our submission that this preamble should be revisited, not by changing it but by affirming it, as part perhaps of the constitutional talks that are currently going on, and by implementing policies that will meet those

stated objectives. We cannot continue to say to the rest of the world that Canada is a beacon for democracy and that kind of society everyone should copy if we cannot prevent and remove the causes of poverty and dependence on public assistance. We must make strong efforts in that direction. In that context, I want to draw to your attention, simply to the record—I will not read all of the recommendations of the three reports I think this committee may want to take a hard look at.

The first one, called *Women and Poverty Revisited*, the National Council of Welfare, a body sponsored by the federal government, came out in the summer of 1990. It is a major report with very helpful recommendations that need to be looked at. Again, it comes from a non-partisan point of view where all the stakeholders in the economy from different ideological perspectives worked together on the development of recommendations.

The second report, *The Canada Assistance Plan: More Time for Cuts*, dated winter 1991, again a report by the federal government's National Council of Welfare, just came out.

Third, I want to refer you to a report by the task force on food banks, called *Not by Bread Alone: A Strategy to Eliminate the Need for Food Banks in the Greater Toronto Area*. There are 49 very good recommendations in the report, again prepared by a non-partisan group representative of the entire community, even having the endorsement of Conrad Black and others who said, "We've got to eliminate suffering in the streets of Toronto."

We say that from our perspective as a Christian organization on the basis of the principles of compassion, equity, fairness, freedom and justice for all people. We believe that is crucial. Those are not just hollow slogans. Those are principles that we deeply believe in, that we seek to practice in our own lives. We all fall short, but we think that through a non-partisan, multiparty—that is, involving the entire non-government sector as well—this can be accomplished.

In that connection, I want to make a couple of comments in closing. As I listen to my friends, relatives, colleagues and others in the marketplace, and even listening to the discussion this morning, I think this committee could make one recommendation I developed this morning: we must help people understand the budget.

As an accountant, I used to prepare profit-and-loss statements and balance sheets. We distinguished between two kinds of expenditures: expenses, such as are incurred in running this meeting, and investments. In the last budget there was, I believe, as much as \$4.3 billion in capital expenditures. Those are not expenses. We all know that, but the public does not know that. I think what we need in this province is a balance sheet showing the assets, the capital investments that governments in the past and currently are making, the distinction from expenses, money that is being spent to run the government, to meet the needs in terms of social assistance, housing, you name it, so that people know that when we mortgage, we are mortgaging investments.

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Let me clarify that. When my daughter and her husband bought a house—and by the way, they were fortunate enough to buy it because relatives came to their aid

raping together a down payment—they could buy a house on a \$35,000 income. So when they bought it in 1989, they spent \$175,000 while their income was \$35,000. Do we say that they had a deficit of \$140,000? Of course we do not. We say that was an investment. They took out a mortgage. Their cash flow clearly was short, so they got a mortgage. What I am saying is, they did not engage in deficit spending. Over against the investment they made there is a liability.

What I am suggesting is that, in the budget, clearly distinguish between investments for which there are assets, and then if there are liabilities opposite that, demonstrate that in a provincial balance sheet. Then make sure that the revenues indeed cover all the expenses as well as the debt charges so it is clear what the financial picture really is. I say that because that will help people understand. I am not advocating limitless deficit spending at all, but unless we get a clear picture, we will not know where we are going.

In that context, I want to stress that government alone cannot solve and must not try to solve all the issues. I think the non-government sector must do and can do much more. Perhaps I can say more about that later. Thank you.

The Vice-Chair: Thank you, Mr Vandezande. We have about three minutes per party for questions. Mrs Cunningham.

Mrs Cunningham: You always give us lots to think about. We have worked together certainly since I have been at Queen's Park and I thank you for your input.

One of the statements we heard earlier in the week from one of the economists was of great concern to us because we were actually told, and we know from reading, that right now if we take a look at the big picture, we are looking at a federal government that has a tremendous debt and deficit. There are tremendous complaints that the transfer payments are not significant, are not helpful, that they have been cut back, yet those transfer payments I think made up about a third of the deficit this year. At the same time, we are looking for investment in Canada so we can pay off our debt. Unfortunately, we are looking at foreign investment in order to have the money to pay off our debt. We are going into debt every year to a greater extent. We were told there is as much as \$45 billion in Japanese investments this year in our country. I am no economist, but I am a good listener, and that is one of the reasons that the interest rates are so high.

All of us I think are interested in solving the problems of poverty. In order to do that, in my office and in my former work as a social worker, a teacher and a school board trustee, anybody I talked to in my offices wanted to work. Things have never been worse in my constituency office. I am going home this afternoon rather than being here because I have so many appointments to talk to people before the weekend. People have a hard time getting through the weekend when others are on holidays and doing things and they do not have the money, as you described.

This is a tremendous challenge we have in this country, from depending on foreign money to keeping our cash flow and our country running. It is a reality. Last evening, I

listened to students, and they said the public of Ontario is the least informed constituency as to the real challenges we have.

You heard the former presenters who chose to take partisan tacks, as others have, one way or another. I do not care what side they are on. What is your solution to all this? We have been working at it for years. Most of us are here because we represent a public that we care for.

Mr Vandezande: That is why I emphasize the importance of a non-partisan approach. You cannot simply lay the blame for the current situation at the door of a particular party.

Let me just be complete. What we all tend to do is say, "We need a sustainable prosperity." That is throughout this document. Previous governments have said the same thing. With all my respect for the attempts of all governments, that is not what we are interested in or ought to be interested in. We ought not to be interested in sustainable prosperity but in a sustainable economy. There is a difference.

This ever-increasing obsession with, "We must be prosperous," is wrong. That is a reduction of the meaning of life to material progress and being well off. What we need to do is look at the development of a new lifestyle that does not talk in terms of prosperity but simply being able to live meaningfully. That may mean for all of us a reduction in income, those of us who make a substantial income, and for governments to reduce their expenditures where they really do not count, and to ask ourselves, "Does this investment, does this expense, really contribute to a meaningful life for all citizens?" That does not mean that there ought not to be profit and wage earning. Of course there should be. But when you put the emphasis in a one-dimensional way on prosperity and do not talk about human wellbeing, then you get this obsession, this rat race, for more and more money and more and more profit, without asking what it does to the environment, what it does to people's needs in the community.

That is why, in that context, I think a strategy towards debt reduction both at the provincial and the federal level would be extremely important. At the time when the GST was introduced and when we met with some cabinet ministers in Ottawa, I said: "I am sure if you put it to the Canadian people, both as a provincial and a federal government, that we need to eliminate debt in this country and that certain taxes are going to be targeted towards that goal, Canadians won't bitch. But if you continue to waste as much as you do—" Let's face it, the Nielsen report demonstrated that \$45 billion annually went by way of subsidies to the business community, the same business community that often says government should cut back on its deficit spending. Take \$45 billion out of the federal budget and guess where you are heading.

My point is, let's examine our spending priorities. On the basis of a commonly accepted value framework, let's develop new principles and priorities and then help the Canadian public to understand what budget-making is all about, or more important, what life is all about and how we can then meaningfully go forward together. We do it on the Constitution now, after we have gone through three years of crisis. Let's hope we can also do it on the economy.

Ms M. Ward: Thank you for your presentation. It is certainly a thoughtful one and not simply in cold economic terms.

On the last page of your presentation you say, "the Ontario government has presented a budget that is quite defensible, considering the pressing plight of our poor and powerless neighbours." I would like to ask you what you feel the effects on our society would have been if we had not maintained spending on services, if we had attempted to balance the budget as some of our critics say we should have done, which I think would have led to more unemployment. Certainly it would either be increased taxes or fewer services. What do you feel would be the effects of that and how would you answer the critics?

Mr Vandezande: Let me put it positively. It is my deep conviction as a Christian that it is a government's obligation to protect the poor and the powerless, to come to the defence of the weak and the vulnerable. We as parents and grandparents do that. When our children and grandchildren and neighbours cannot make it, we come to their aid. When people in the Third World are starving to death, we become more generous.

What I am suggesting is that the government has the responsibility to see to it that there are no poor among us, but not by itself. The private non-government sector has its own responsibility. So my challenge to all three parties, as a non-partisan spokesperson, is make sure that in the wealthiest part of the world we demonstrate that we can practise solidarity, can practise social justice, can practise the kind of community where we really come to the aid of the underdog by appealing to each other's responsibility, by sharing our resources.

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I think critics owe it to governments to come up with alternatives, and that is why I tabled with you different documents. It would have been easy for me to blast every one of you. There is enough evidence in all these reports to say that all three parties have failed. That does not help very much.

I come here this morning to challenge you to the best of my ability, and will be glad to do further research. I hope you take a careful look at the documents I have tabled in order that we can move forward together out of a spirit of common commitment to Canada and to its people, so that we put people first, the environment first, social justice first, and on that basis, build the kind of national unity, the kind of country that is genuinely strong and free where all people can live in dignity because they experience each other's solidarity, community, love, you name it. I think it can be done, but that means dropping of partisan hats and working together.

Bob Rae said it in his speech shortly after his in-laws passed on. He raised the question at his major speech in Waterloo, and I think we should hold him to it. What do we owe each other? I think we need to ask ourselves that, and this committee might well want to launch a more public education event, asking people, "What do we owe each other, and what can you contribute?" Ask not what I can get out of Canada, but ask what I can do for Canada, and

especially for those poor, powerless and vulnerable Canadians who just a few months from now will again be sleeping in bus shelters in downtown Toronto.

Mr Kwinter: Thank you, Mr Vandezande. I want to commend you on your thoughtful and passionate presentation.

In your recommendations, if you could just expand for me on your ideas, you call for the government of Ontario to demonstrate its leadership by committing itself to full employment and a guaranteed adequate income. How would you propose that this would happen?

Mr Vandezande: In the document I tabled with the clerk, which is, I think, dated February 1986, there are detailed proposals on how that could be done.

Mr Kwinter: Could you just briefly tell me?

Mr Vandezande: Yes. Investment, I think, is where it is important that we do some careful checking as to what kind of investments are most productive when it comes to the creation of jobs.

We have just gone through the Gulf war. Investments in the defence industry are among the poorest you can imagine. Every economist is in agreement on that. Investments in housing, investments in child care, I think are very legitimate investments, because unless our children receive the kind of care they are entitled to, we will go nowhere. So child care is much more productive, because it is labour-intensive, than heavy technology investment. So when the government gives grants to the private sector or subsidies or tax breaks, it should ask: "What are you going to do with it? What kind of jobs are you going to produce?" It should also monitor the use of those moneys.

When I read the other day that the Massey-Ferguson plant is leaving Canada after it had gotten loans and subsidies of hundreds of millions of dollars, I would like to have an accounting of how many jobs it produced. And why are they not repaying those loans?

My wife used to be a social worker—well, she still is but she worked on the front lines. When some people, through a mistake of their own or through the bureaucracy, got too much money, they had to pay it back. Why do the corporate welfare recipients not have to give an accounting of how they use their money for the creation of jobs? Why can they leave for the United States without giving an accounting of what they have done with Canadian taxpayers' money?

What I am pleading for is that when we give tax breaks, when we hand out money, when we grant subsidies, let us ask: What is it for? Does it create jobs? Does it contribute to human wellbeing? Let us monitor, let us call them to account, and if they cannot produce, then let us not do it. I think it is crucial that we come through on that.

We need to look to those areas where labour-intensive job creation programs that contribute to human wellbeing indeed are worthy of investment, but if they are environmentally negative, socially useless, etc, let us not do it.

The details are in our February 1986 proposal. I hope the government has enough money to provide you with a copy of that, Mr Kwinter.

But our government had no trouble finding, quickly, close to \$1 billion to finance our involvement in the Gulf war. Let's assume for a moment that was a legitimate enterprise. I have my serious questions around that, but that's not the issue. Can it find within its ideology \$1 billion towards the elimination of poverty in socially, economically responsible investments that lead to job creation, so that you indeed strengthen the economy, eliminate injustices and enable people to participate in the life of the nation? If we can borrow money—that is what the government did—to finance a Gulf war involvement, can we not so borrow money, if that is what needs to be done, and I think Canadians are willing to pay taxes, in order to wage war on unemployment and poverty?

I think we need to come to grips with those fundamental value challenges. If we do not, we will continue to get tripped up by this ideology that constantly talks about prosperity without asking whether it contributes to human well-being in the elimination of injustice across the board.

The Vice-Chair: Thank you, Mr Vandezande, for your presentation this morning. Unfortunately, your time is up.

Mr Vandezande: It is unfortunate.

Mr B. Ward: An excellent presentation; thank you, sir.

TORONTO ARTS COUNCIL ARTS AND THE CITIES

The Vice-Chair: Our next presentation will be from the Toronto Arts Council and Arts and the Cities, Tom Hendry, policy director and consultant.

Mr Hendry: You just had one accountant; now you're getting another one. There is an old vaudeville joke where a man goes to the doctor and the doctor says, "Have you had this before?" and he says, "Yes, I have." The doctor says, "Well, I can tell you that you have it again." Here I am.

The Vice-Chair: Just before you begin your presentation, Mr Hendry, we have about a half-hour altogether for the presentation. Whatever time you use in your verbal presentation will be subtracted from the time for questioning, and the time for questioning is divided equally between the three parties. If you would like to commence your presentation.

Mr Hendry: A sort of overlay theme for what I wanted to talk to you about today is the notion that we have paid a lot of attention in the past to a physical infrastructure. In Ontario it has been one of the bases for our success in terms of material wealth. But we have not paid that much attention to the spiritual infrastructure. In terms of my own involvement, I put the arts and the cultural sector at the very centre of the spiritual infrastructure a society has to have if it is to have goals and do all the things the gentleman preceding me was talking about.

Culture and the arts as an area of service delivery for governments at all levels is very recent. It did not begin, really, until after the Second World War, when the Massey commission came up with the idea of the Canada Council, which went into operation around the end of the 1950s. In the 1960s the provinces got into the act and in the 1970s the cities began moving slowly into the support of the arts.

But because it is such a new area of service delivery, it is at all levels given something less than parallel areas of activity. I was recently at a conference of recreation directors, and one from a large BC city said: "You don't have to do any arguing with us. We know that the arts, if they are viewed as an aspect of recreation, do not get anything like the share the other aspects of recreation get."

Just as a general comment, I am in touch with the arts communities in about nine cities in Ontario through Arts and the Cities and I work directly with the Toronto Arts Council. Certainly there we have about 250 organizations which the city subsidizes and some 300 individual artists, and the general opinion, naturally, of what the government did this year for the Ontario Arts Council is extremely positive.

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At times like this, I am sure you are well aware that the private sector tends to get very gun-shy, and the private sector is right now in Ontario the largest single source of assistance for the arts, apart from the artists themselves. They are still the primary subsidizers of the arts through forgone earnings. I will not go into how low their earnings are, but you do know that our artists are on a par with pensioners in terms of disposable income.

We noticed the budget for the Ministry of Culture and Communications this year was \$332 million in total and that out of that comes 43.5% for the Ontario Arts Council, which is 13% of the ministry's total spending, and I would like to commend the government for doing that. There is sort of a law called Féral's law among people who are students of subsidy. A Quebec professor by the name of Josette Féral propounded a thesis that in general, of money designated for the arts and culture, approximately 10% goes to the arts and 90% goes to culture in various manifestations, quite often to facility support and things like that. But at 13% you are three points above Féral's law, and that is very good. We would certainly like to see the eventual pattern be something like 20% of ministry spending on direct investment in the arts.

The total budget for the province, I note, is approximately \$53 billion. The MCC budget is therefore about 0.06%. There is a general feeling among those of us who, as I say, are students of subsidy that it would not be an unreasonable target to suggest that the government of Ontario, which is not terribly high in the order of spending of provincial governments on a per capita basis on the arts, think of a target of 1% of budget for the arts and culture. That would be a difference of approximately \$200 million in this present year.

I would point out, by the way, that what the previous gentleman said about people being willing to pay for certain things if they know that the money is going for is borne out in fact. The Macaulay commission, which reported to the government of Ontario in 1984, did a fairly extensive survey among white-collar people and blue-collar people, and it found out that both groups were in favour of considerably increased provincial spending on the arts and that they were willing to pay a tax of up to \$25 per taxpayer if it was designated to go to the arts and to nothing else. This is partly explained—I think it was Decima that

did it—by the fact that a lot of the people who were talked to are people like myself.

I come from an immigrant family. My family came to Canada because they wanted to give their children opportunities they could not afford in the country in which they were born, and a lot of the respondents to the survey see an increased profile for the arts and increased emphasis on the arts as something of great benefit to their children, something their children will get here in Canada that they would not be able to afford in the country of their birth.

So we would very much like to see in future planning the notion being taken into account of the arts and culture being a very new area of service delivery, that when budgets are cut in order to get rid of the deficit which has been incurred people remember that they should be cut selectively and that some areas should in fact be increased in order to be brought to the same level of maturity as are other portions of the provincial budget.

In terms of per capita spending, right now Ontario spends on direct aid to artists approximately \$5 per capita. In the city of Toronto the rate per capita is \$20. We pay \$5 through our payment to Metro, which is given out by the Metro cultural affairs department, and a further \$15 per capita is spent through the Toronto Arts Council and through other agencies and departments of the city, notably the parks department and the St Lawrence Centre, which gives subsidized rent to the companies which play there. This investment helps to sustain an economy of about \$200 million annually now. That is the non-profit sector of the arts.

We estimate that approximately 125,000 people in the Metro area are either fully or partly employed in the arts or in arts-related work in industry. For example, my next-door neighbour has a software company called Alias Research. One of its most recent big jobs was to design the special-effects software for the film *Terminator 2* with Arnold Schwarzenegger. It also provides all the software for the design and testing of Volvo, Toyota and most of the major Japanese auto manufacturers. All of his employees are in some way arts-related. They are people who are design specialists, visual artists, and who can put things that are two-dimensional into the three-dimensional possibilities that software offers now.

I would like to mention one thing that a lot of people forget in terms of where increased spending on the arts should go. Our theory of arts subsidy goes back about 3,000 years. It goes back to the Roman Empire. The policy of the Roman Empire in cultural terms was a very simple one: No citizen of the empire should be disadvantaged culturally because of distance from the capital. That is why you find Roman theatres all over Britain and France and Germany and Spain. Wherever the Roman Empire went, they built cultural infrastructure and they put on their plays and all sorts of things in order that all citizens of the empire should have access to the same cultural experience that the people in the capital were having, and ideally that is the aim today of cultural subsidy and the arts subsidy, to get rid of disparities and inexperience.

What we would like to think about for the future, because obviously things are going to get better, is that we begin to think more about moving out from Toronto. At the

present time we have, as I pointed out to you, a fairly highly developed arts industry, if you will, here in Toronto with an economy of about \$200 million. We also have what are called the cultural industries, which are video and film and commercial music, all that sort of thing, which are probably about six times or so—four to five times, at least—the size of the non-profit economy. But in the remainder of the province, the experience of the arts is nothing like what it is in Toronto.

I would like to suggest to you that there is room for an examination of models that have worked elsewhere to cause a diversification of culture and to form partnerships in the case of the state of New York and the county governments, partnerships whereby each put up money and a good deal of very healthy development was stimulated all across New York state.

It began in the mid-1970s when Governor Rockefeller brought in very heavy funding for the arts. He insisted that of the money that was going to the arts, an appropriate portion should go to Manhattan, where most of the major arts critical mass was situated, but that the remainder should go out on a per capita basis, on a county system so that arts councils should be set up in each county and that the county itself should match some of the money from the state government and begin programs, begin residencies, bring artists into the community and retain artists who normally leave for somewhere else.

Statistics Canada projections show that over the next 20 years the only three areas of growth in the whole country are Toronto, Montreal and Vancouver. Everything else is going to be slowly cannibalized because people are moving to those centres of interest, of population, of employment of all the good things that cities are supposed to offer. Not much is being done to make life more interesting and a more viable thing in some of the smaller centres.

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I would like to also note a model that should be borne in mind, I think, by anybody who is doing budgeting. It is this: Here in Ontario we have a dandy system of public libraries. We have very good access wherever you are in Ontario to a pretty good supply of books, thanks to a library system which has been built up over the years because an appropriate amount of money was spent on that library system. I will just give you a few figures.

In 1988 the city of Toronto paid something like \$20 million towards the library system. During that year there were visits by about five million people to the libraries. That same year, the city supported the arts to the extent of about \$11 million. Coincidentally, it commissioned a study by Environics which turned up the information that there were about 11 million visits to arts and culture manifestations that were in some way supported by the city of Toronto. Each visit to the library cost the city \$5; each visit to the arts cost it \$1.

I am not suggesting in any way that the library system is overfunded; au contraire. I think they probably, like everybody else, are in need of some money. But you can make some money once you obtain a degree in library science as a librarian and, as a result, we have good libraries well run. You can have the same amount of training as at

ist and your chances of making a living that in any way would be commensurate with that of a librarian are pretty tall indeed.

This is not to suggest that libraries be reduced in budget, but rather that we must begin to think that if we pay for the money we will get the results. And the results, in terms of the spiritual infrastructure, would be very, very good for this province and especially for those parts of this province outside of Toronto and the other main centres.

We would like to see, as I mentioned, arts support go to 5% of MCC budget, but I doubt that can happen unless the MCC budget itself gets somewhere close to 1%.

In Ontario there is a network of community arts councils, some 60 or 70 of them, which have joined together and have an association. This would certainly provide a network with which to work in terms of trying out, let's say, a pilot project in matching funds with municipalities.

There is a further very strong network called OAG, the Ontario Association of Art Galleries, which has probably about 30 members across the province who are very well based in their communities and which would offer an ideal basis for a local community arts board to give out grants. What I am suggesting is that what we have to do is find a way to empower citizens in small centres to make decisions in those centres about the arts.

Leadership must come, I think, from the province to the smaller centres, because on their own there just is not enough impetus. They need to be in a position of spending 50-cent dollars or 75-cent dollars or something like that in order to get going. The whole policy can certainly come from the arts sector, but the leadership must come from the provincial government.

A further area where we can see a great dividend being paid to the province would be to find ways to extend the network of community centres by attaching to them some sort of modest cultural premises. It could be two big rooms. I know in every country in Europe there are what they call "maisons de la culture" or "Kulturhäuser" or something like that. These are mixed-use buildings where you can go and take aerobics or lose weight or you can go to a play or whatever. I think it would be very, very helpful if the community centre system across Ontario had the possibility, from its municipalities and perhaps matched by the provincial government, of somehow adding some more space dedicated to the arts so that a neighbourhood play could be put on in the neighbourhood or a neighbourhood artist could show her or his work in the neighbourhood to the neighbours. Art begins as a very personal thing, and right now it is so institutionalized that you must make the jump from the neighbourhood almost to the Art Gallery of Ontario, with nothing much in between.

A key priority right now for Toronto, and I think it is going to be spreading right across the province, is to set up effective interaction between organizations like the Toronto Arts Council and artists who were formerly marginalized, artists from culturally specific backgrounds: native artists, Hispanic artists, Caribbean, African background, Central American, some from Europe. We have a whole lot of people who for one reason or another, because of language barriers or because they felt the system was

not for them, have not been interacting with our subsidy-giving bodies such as the Toronto Arts Council.

We are now undertaking a large program of induced interaction with those communities. We have added members of those communities to our board of directors and to our decision-making committees. It seems to be working out well, but that is something which is going to cost some money. Again, it is going to have to be borne in mind in the future that in terms of equity you should treat people equally, but that does not mean treating them the same. You do have to take special care to be able to approach some people in cultural terms that are relevant for them.

Another priority for us is a growing focus on individual artists all over the province. Individual artists are the unit of creativity. In the long run, the most important aspect of culture is not what is in the museums but what is coming out of the individual artist's studio or the individual writer's typewriter or, in these days, computer.

Finally, a great priority is to inject something more of the arts into education. That is going to cost some money and a good deal of goodwill. As I pointed out, we have about 125,000 people in Metro earning some or all of their living from the arts or arts-related working industry. Every one of them began their arts education after they left school. If we are indeed trying to design an education system that prepares people for working and living, we are missing out if 5% of the Metro population never spend five minutes learning something about the eventual field in which they are going to work.

That is really all I had to say. Rita Davies, our director, had planned to be here but was unfortunately called out of town. I was supposed to be accompanied by Tomson Highway, the playwright, but he was unable to make it, so I have been carrying the ball myself. If you have questions, I will be happy to try to answer them. If I do not have the information here, I will be happy to send it to you.

The Vice-Chair: We have time for one brief question from each party and, hopefully, a brief response as well.

Mr B. Ward: Just briefly, out of the budget, what would you say is the best opportunity for arts in Ontario?

Mr Hendry: Out of the present budget?

Mr B. Ward: Related to the budget.

Mr Hendry: I think they made the very wisest of decisions in putting the extra money into the hands of the Ontario Arts Council. They have a very good record of disbursing the money evenly and fairly. They operate on an arm's-length basis so you can be reasonably sure the decisions being made are not politically motivated or anything like that. They have been in need of strengthening for a very long time. They are right now at around \$43.5 million, and we would sure like to see them up to about \$80 million in budget, which would be about \$10 per capita.

The Vice-Chair: The official opposition? Any questions?

Mrs Sullivan: I think we will forgo questions.

The Vice-Chair: Third party, questions?

Mrs Cunningham: We are fine.

The Vice-Chair: Thank you very much, Mr Hendry, for your presentation this morning.

Mr Hendry: It has been a pleasure.

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ONTARIO HOME BUILDERS' ASSOCIATION

The Vice-Chair: Our next presentation is from the Ontario Home Builders' Association, Al Libfeld, president, and Ian Rawlings, first vice-president. You have approximately a half-hour of time altogether. Whatever time you use for your verbal presentation will be subtracted from the time for questions, which will be divided equally between the three parties. So if you would like to commence, Mr Libfeld.

Mr Libfeld: Thank you. Mr Rawlings will be joining me momentarily. My name is Al Libfeld and I am the president of the Ontario Home Builders' Association. OHBA is a professional association that represents builders and developers as well as contractors and subtrades in the housing industry. A couple of years ago our member companies employed nearly 200,000 persons. That number has fallen to what we estimate is a little over 100,000 people now.

I want to take a couple of minutes this morning to talk about the general state of our industry. Then my colleague Ian Rawlings will take over and outline the sorts of steps we believe should be taken to establish economic conditions that will ensure the health of our industry and prosperity for Ontario.

The recession in the housing industry really started around the Toronto area about 18 months ago. By the second quarter of 1990, there were clear signs that it was spreading across the rest of Ontario, and by the third quarter of 1990 new home construction in Ontario had essentially ground to a halt. In April and early May of this year there were some signs that the market was starting to pick up, but for a lot of builders right now those signs are a memory.

I think we are just entering a recovery phase, but it is a very fragile recovery. In light of this, I would like to partially redirect the focus of this morning's discussions. Rather than look at specific details in the budget, we will examine some of the steps the government should be taking to ensure that the recovery can be sustained.

The demand we started seeing in April was for lower-priced starter houses. This came from first-time buyers who had been forced out of the market in 1988-89 and were looking for an opportunity to get back in. Lower prices, and just as important, lower interest rates, gave them that opportunity.

Last year, we built nearly 63,000 houses in Ontario. This year we will be lucky if we build 52,000. To get that number, we will need a steady recovery for the rest of the year.

Before Ian discusses some of the steps that will help ensure that this recovery is lasting, I want to make one last point about the housing industry. The prosperity of Ontario is directly related to the housing industry. We employ more people than any other single industry. Most of these people are working in well-paid jobs. Every house that is built creates a year's employment for roughly three people. The drop in housing starts from 93,000 in 1989 last year cost

over 100,000 jobs. The nature of our industry sometime makes it difficult to see what is going on. We do not concentrate our labour force in large plants, so layoffs are not as visible. Laying off a couple of trim carpenters or not having work for a roofing crew does not get the press coverage that closing down an assembly line does, but when 1,200 builders are doing the same thing across the province, the layoffs add up.

The flip side is also true. When these companies start hiring, it does not take long for the benefits to start working their way through the entire economy.

Ian Rawlings is from Ottawa. He is currently OHBA's first vice-president and will be following me as president later this fall. He is going to talk about some of the things that will make sure we can start hiring back the jobs that have been lost over the last couple of years.

Mr Rawlings: Good morning, ladies and gentlemen. Even though your backs are to the sunshine, I know your minds are going back to the lovely weather out there, so I will try and be brief. I think what we want to touch upon are some of the specific issues.

As I see it, there are basically two things that determine the affordability of a home: the cost of the unit and the cost of the money that is used to purchase that unit. I think we all appreciate that the cost of money is essentially a federal issue, so there is not much point in taking a lot of time to discuss it this morning. I would, however, urge you to make the case to the federal government that we need consistent economic policy and low interest rates. With regard to the issue of affordability, I would also urge you to take the opportunity to have the federal government follow through with the much-discussed 95% financing allowing 5% down payments on new housing.

The cost of money has a dramatic impact on affordability. Our estimates indicate that for a one-point increase in the rate of mortgage money, the size of the mortgage that a person can carry is reduced by about 7%. The consequences of that impact are that in many cases the individual or family has to scramble for a larger down payment. It may mean they buy a less expensive house or a house that is less convenient in location. The worst event, of course, is that it often means they just do not buy at all. We have some tables that give you a view of the relationship between interest rates and housing starts. We will leave those with you. I think the trend is there and obvious to see.

The other side of affordability, of course, is the cost of the house. Here we are not just talking about the cost of bricks and mortar but the cost of land as well. I think it is fair to say that in this specific area the provincial governments and provincial policies do have an impact. There are two main areas in which provincial policies could contribute significantly to containing the cost of housing. One is the planning and approvals process and the other is the tax system. I would like to talk a little bit about both of those.

We have, on occasion, heard many people indicate that with the passing of the baby boom, the demand for housing that we saw in the 1980s is something that will not be repeated. I think that is too simplistic. We can anticipate a fairly healthy net growth of population, something in the

der of 100,000 people a year over the next 20 years; and we certainly know there is still a segment of that baby boom that has not made a purchase decision, so I downplay the arguments that the demands we have seen in the past are something we will never see again.

There is no question, then, that if we do not have a continued and generous supply of land, demand will quickly drive up the cost, and if we do not have the means of bringing serviced lands on stream more efficiently, this will compound the problem.

We have indicated to the government that we are very happy to see the commission set up that Mr Sewell is going to chair, to look into the whole process of planning in the province. We believe that the streamlining of the approvals process is something that can be done and will be compatible with safeguarding social and environmental issues.

There are clearly redundancies in the process in this province. They have been there for years. They continue to be there. They serve to do nothing more than slow the process down.

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We think the public interest must include ensuring a supply of land that will avoid run-ups in the cost of housing. This can be done with an approvals process that works more efficiently than the one we have today, so we look forward to working with Mr Sewell's commission on this important task.

The second area I want to touch on concerns the tax system. The current structure does not provide any incentive for municipalities to assist in the development of low-cost housing. In fact, I think it is fair to say that for the most part many of the interests of the municipal governments are served by encouraging both industrial and commercial development and perhaps high-end or high-priced residential development. This pattern of development clearly requires the fewest services and provides the richest tax base.

The Development Charges Act that was introduced by the previous government, I think, was a recognition that there is an imbalance in the tax structure; but in our view the Development Charges Act does not offer an effective or fair remedy to that imbalance.

I think the government, in undertaking the review of our broad tax system through the Fair Tax Commission, has taken a step in the right direction. Our concerns with the Development Charges Act are well documented. I am not going to go through them with you today. I believe you are familiar with them. We hope that we will have an opportunity to explore this issue with the fair tax working group that will be formed to look into the issue of property taxes.

I have talked in a general way about ensuring a supply of serviced lots through the approvals process and the methods of taxation to pay for development, but I would like to be a little bit more specific.

Our association has consistently maintained the position that timely development of infrastructure is essential if growth is to be properly managed.

I do not want to go through all the arguments today, but I think from every point of view, social, environmental and economic, the best time to develop infrastructure is ahead of all other development. It is the least expensive way to

do it. You are not playing catch-up, and it gives you the most control over the growth.

We have supported the concept of a sewer and water agency that was proposed in the 1990 budget. We believe it was an important step towards realizing the goals and the objectives of managing both infrastructure and, consequently, growth in the province.

The Treasurer has said, "We will make a major commitment to maintain and improve the infrastructure of Ontario with increased capital spending." I do not believe this is a problem that can be solved simply by throwing money at it. I wish it were that easy. We hope the government will take a serious look at the objectives and mechanisms that were proposed in the sewer and water agency.

Finally, I want to refer to an issue that is less tangible than the ones I have been talking about, but one that could have no less an impact on our plans for Ontario's future.

It is my understanding that the Fair Tax Commission will be looking at the general question of the economic impact of taxation. We are glad the commission is tackling this issue, but we respectfully submit that the Treasurer may want to consult a much broader cross-section of the population of Ontario on this issue. Perhaps this could be done through the commission.

I believe, our association believes and our industry believes that it is time for each of us in Ontario to step back and take a long, hard look at ourselves and our province. We need to ask what we are putting into the province, what we are putting into Ontario, and we need to ask, perhaps more important, what we hope to get out of it. I think we have to find a way to put those answers to those two questions together.

We believe that, if there is a single issue that could set the economic mood in Ontario over the next couple of years, this may be it. I hope the government will consult with the people of Ontario on a broad base and set a course that reflects their wishes and concerns, their hopes and their aspirations.

On behalf of our 4,000 member companies and the over 100,000 individuals they employ, I would like to thank you for taking the time to listen to our ideas. I hope we can have an opportunity to move forward with dialogue with the government on our ideas, and that in a short period of time we will be able to come back to you again, and speak to you on behalf of 200,000 employees in our industry. I believe we have to look forward and deal with where we go from here.

Mr Libfeld and I will try to answer any questions you might have.

The Vice-Chair: We have approximately five minutes per party. We will start with the official opposition.

Mr Phillips: I have a feeling, and I would like your thoughts on it, that an important factor in the housing market is the overall economic activity in the province, and that right now we are looking at heavy unemployment, as your document shows—9.5%; I think it is now up to 10.2%. I just wondered about your comments in terms of the budget's ability to get the total economy rolling again, and whether the house builders have any advice for us on that.

I think we are finding that we are guessing. We have one group that comes to the committee and says, "Listen, the budget is great." Another group comes and says the budget is not great. We are trying to reach a conclusion on what it is going to look like a year from now.

I would just appreciate your feeling on, first, what impact does the overall economic activity have on house demand? Second, is this the kind of budget that is going to get the Ontario economy rolling?

Mr Libfeld: Economic situations have a great effect on the housing market as evidenced by the last two years of very few sales. That is quite obvious. It is like any other industry. If we are in a recession, if we are in tough times, if interest rates are high, we will have a poorer market and we will not build the quantity of homes that are needed and are wanted within the province.

As far as the budget goes, we are not economists. We do not have the modules to look to see whether or not the billions will translate into more homes built or not, but we can only wait and see like everyone else.

Mrs Sullivan: I had a question relating to the infrastructure matters that you raised, and I note that you particularly underline the importance of the water and sewer corporation which the government has not at this point addressed, although I gather that the chairman is still sitting in an office without knowing whether he is going to be able to continue or not.

Part of the infrastructure, as well as water and sewers, of course is the provision of schools in communities. You oppose the Development Charges Act in terms of providing that kind of infrastructure. What do you see replacing it and where do you see the funding coming from?

Mr Rawlings: First of all, let me say you are quite right. We have opposed the aspect of Development Charges Act that applies to education development charges. I think it is also fair to say, if I can give us a plug on the positive side, that our industry has been consistent in that we see the purchasers of new housing participating at some level with the cost of providing infrastructure.

Quite frankly, we do not have any magic formula to provide capital for education facilities in our province. I do not think, however, it is a question of finding another group or another source to target.

I believe our industry is consistent in its view that the issue of education in the province is just too important to draw funding to support it from one specific segment of the population.

I believe it is a fundamental philosophy that has been held in this country and this province for a long time that education is important and everybody shares equally in the price and the cost of supplying education. The other aspect that goes with that philosophy of course is that everybody has equal access to education.

We see the education development charges having a fundamental impact on those philosophies. We see the education development charges creating, I believe, no small rift once again between the different religious groups in the province as to how we fund education. I think it is a

sorry means of raising capital for something that is critically important to us as a province and as a country.

Mrs Sullivan: So your recommendation would be to go back to the income tax base.

Mr Rawlings: If that means it goes back to a broad tax base, then that in my view is the equitable means of dealing with the critical service of education.

Mr Kwinter: I want to get back to my colleague Mr Phillips' questions about the mood of confidence. You are in a unique industry in that I do not think you have a shortage of customers who would love to own a home. The problem is, can they afford one, can they meet the mortgage requirements, do they have the down payment? Relatively few have cash when they go and buy a house. Because of the fact that when they buy that house they are also making a major commitment which may extend over 20, 25 years, to pay for that house, there has to be a certain confidence that they are going to have the ability to continue those payments. What is the mood out there? You are out there selling houses; you are talking to people. What do they feel? Do they have that confidence? Are they concerned about it?

Mr Libfeld: After two years of very little sales, we had an extremely strong spring where quantities of homes were sold throughout the province. Presently, in the summer time, it is going through what we call the summer doldrums, but what happened in the spring gives us optimism that once the summer breaks we will have a reasonable market coming into the fall and into the new year. There are a lot of factors. Interest rates are down and a lot of the bad news, so to speak, is behind us or getting behind us. It is important, as I mentioned earlier, that interest rates stay down or go lower.

Mr Sterling: I know you are not an economist, but this morning we had the Toronto-Central Ontario Building and Construction Trades Council. Although I do not think they profess to be economists either, these are people you guess you hire, a great number of these people, because they represent 40,000 unionized construction workers in the Toronto-central Ontario region. They say, "Categorically and unequivocally we, the 40,000 unionized construction workers in the Toronto-central Ontario region publicly support the initiatives taken by the current government in its 1991 budget."

I guess my concern is that if people who might not feel that same kind of support are not making the equivalent statements on the opposite side, then perhaps the public will get the wrong impression overall. Does your organization categorically and unequivocally support this budget?

Mr Rawlings: That is a question, is it not? Without dodging your question, because I would hate to do that to a member from my home town in the Ottawa area, let me put it this way. I spent long years working for a public real estate company, and I think it is fair to say there were some hard lessons learned in the early 1980s as the public real estate companies burdened themselves with debts to a level far beyond what they were capable of ever dealing with. I think those lessons were hard learned for most of those people, and for those that did not learn them, some

them are not around today. So I think in that context, we have to be very careful about the whole issue of debt.

Mr Sterling: Not to prolong that issue, the other area I am very much concerned about is that when new governments come in, there is a tendency for them to change the bookkeeping system so that basically they cannot be compared to previous governments, previous administrations. Mr Laughren has said he is going to create the Ontario capital fund, giving the impression to the people that a certain amount of the budget, perhaps as much as \$4 billion, will be going to capital works. However, he does not include in his accounting procedure depreciation for public works which are depreciating because of physical deterioration etc. Being in the building industry, you would well understand that buildings do depreciate in real value. Perhaps the land increases in value, but government's land does not increase in value in a real way as private land does. Do you think that is a fair method of keeping books?

Mr Rawlings: I will repeat Mr Libfeld's statement that we are not economists. However, certainly dealing with things such as municipal infrastructure, it is to me frightening that there still remains a large number of municipalities that have not yet realized they are sitting on a tremendous asset of infrastructure and they continue to not deal with it as an asset and look for a proper return on that asset.

There is a large number of municipalities whose sewage treatment facilities do not operate on the basis that they pay for themselves. The water treatment facilities do not pay for themselves because they are something you deal with when they break, but you do not treat them as an asset. I guess that is an indirect response to your question.

When we are talking about infrastructure that can be depreciated over a long term, that is one part of the solution, but it really comes down to a broader sense of treating our infrastructure and our capital investments in a far more businesslike way, and in many cases I think it is appropriate.

Mr Sterling: I think he points out in his document that in the early 1960s about 10% of the budget at that time went towards creating infrastructure. The 1960s was a great time for building highways, as you may now recall. Now it is down to about 4%.

My concern is that the public does not get the wrong idea in terms of capital expenditures, that you are building a new sewer system and you say, "Okay, that's new and therefore shouldn't be today's expenditures, but should be depreciated over the next 20 years." But, as you know, the city of Ottawa has a tremendously precarious sewer and water system which has not been repaired or taken care of for the last 25 years, because municipal politicians chose not to face that situation.

In my view, those assets should be depreciating at a very rapid rate right now and if you do not put one side of that on the books, then I think the public will get the wrong view in terms of the capital operating account. Anyway, that is not a question; that is an opinion.

Mr B. Ward: What do you think about that?

The Vice-Chair: I am sorry, the five minutes is up. We will move on to the governing party, Mr Christopherson.

Mr Christopherson: Welcome, gentlemen. It is good to see you both again. I appreciate the time you have taken to put together your brief and for coming forward.

I would like to ask you if you categorically and unequivocally condemn every single word in the budget? No, I am being very rhetorical. What I would like to ask you, however, is along the lines of the approvals process. It is interesting for those of us sitting here that in your presentation, and I would like to quote: "We believe the public interest includes ensuring a supply of land that will avoid run-ups in the cost of housing. This can only be done with an approvals process that works more efficiently."

That comes from you as the Ontario home builders, and before you, earlier this morning, we heard from the building and construction trades council that—of course, I have lost it. Sorry, I do not have my finger on it. I moved it to be a smart-aleck and lost my quote. However, they made a similar statement regarding the lands process and talked about the need to expedite that process to bring on more housing.

My question to you is twofold. First of all, in light of the fact that you seem to have a common ground there and that this government has attempted to make co-operation and partnership a cornerstone of decision-making for the future, albeit people can argue how successfully to date—in that spirit, would you feel comfortable in working with the labour organizations to that end in conjunction with government? If so, could you maybe throw out a couple of the concrete ideas you are looking at when you talk about streamlining the process and whether there is a dollar figure attached?

Mr Libfeld: Ian and I will both answer that. Number one, the reason we have common ground is that a lot of those 40,000 members of the group you met earlier work for our firms in various capacities. Some of them, quite a few of them today, are not working and are looking for employment elsewhere, or they have just got back to work and want to keep their jobs. They understand supply is important. Without the quantity of land in the system we cannot deliver all the choices of homes the purchasers in the province want.

Within Ian's brief he mentioned that a water and sewer corporation could possibly answer some of those problems as to the infrastructure, who is going to be paying for it and how it is going to be paid, and get up to speed and make a commitment towards infrastructure that has not been made in probably 20 years in this province. We have systems that date back to Confederation, and it is really serious. As far as the points on the approvals process, Ian will answer.

Mr Rawlings: Yes. I am not proud. Anybody who understands the issue of the approvals process to the extent that they realize it is a disaster, I will work with them to try to improve it, quite frankly. There is no question there are any number of opportunities we have taken as an industry to meet with successive governments and give them our ideas; specific, definitive, cogent, clear ideas on what you could do; some no cost, no consequence; some that might take a little more conviction to solve some of our problems. We will continue to do that. We welcome any opportunity—

that is my business. I am an urban planner and it is frightening to me the process I deal with every day. It is a mess, and it can be fixed. It can make some dramatic improvements in our industry and in the way we do business. The best opportunity to have some meaningful impact on the issues of affordability, the issues of protecting our social interests, our environmental interests, is to sit down and deal with the approvals process. No question, I am convinced.

Mr B. Ward: I have one other question. The Fair Tax Commission is forming working groups to examine different segments of the tax sectors in the province. Have you requested participation on those working groups?

In your brief you mentioned that the recession in the housing industry occurred in the Toronto area 18 months ago and then, in the second quarter of the 1990s, spread. It is always easier to examine our past than it is to project the future. What do you feel were the leading economic indicators that created the recession 18 months ago?

Mr Libfeld: To answer your second question first, GST, free trade, high interest rates.

Mr B. Ward: But GST did not come in until 1990.

Mr Libfeld: But the threat of GST and what meant—your first question again was?

Mr B. Ward: So GST and interest rates started going up.

Mr Libfeld: There was uncertainty as well as the recession.

Mr B. Ward: The other question was about the Fair Tax Commission.

Mr Libfeld: We have representation on one of the committees that is meeting now and we have requested representation on other committees as well.

The Vice-Chair: Thank you very much for your presentation, Mr Libfeld and Mr Rawlings. This committee is recessed until 1:30, when we will have the next presentation.

Mr Libfeld: Thank you very much for the opportunity of meeting with you.

The committee recessed at 1214.

AFTERNOON SITTING

The committee resumed at 1340.

The Vice-Chair: We are running a little bit behind. We do not have everyone here, but we have representation from all three parties and I guess we should proceed or we will get even further behind.

REGIONAL MUNICIPALITY OF PEEL

The Vice-Chair: Our first presentation this afternoon is by Frank Bean, chairman and chief executive officer of the regional municipality of Peel. Welcome to the committee. You have approximately a half-hour altogether. Whatever time you use in your presentation will be deducted from the time for questions, which we will divide equally between the three parties. If you would like to commence.

Mr Bean: Thank you very much. I would. I will not take near the half-hour for the presentation. I believe members of the committee have copies of my presentation. I would like to walk you through it, and I will be brief.

First, let me thank the members of the committee and you, Mr Chairman, and the clerk for allowing Peel to be presented today to make this presentation on a nice, sunny summer afternoon. I am sure many of your constituents and probably many of mine believe we are on a long summer's recess and are unaware of the work that gets done in committee. If they would only watch question period. It is too bad they do not really have a better understanding of what work is done at committee.

I am sure every member of this standing committee is painfully aware, some more than others, maybe, that the 1991 Ontario budget is a very contentious document. According to pollsters, the public and credit rating agencies in Canada and the US do not like the budget, and social service interest groups who advocate increased spending do not think the budget went far enough. I imagine James Frank from the Conference Board of Canada must sound like a voice in the wilderness about now.

Some observers might try to explain the widespread public discontent over the budget as an unavoidable by-product of the governance process in a large and diverse province like Ontario. After all, governance in a democracy is all about compromises and tough policy choices that do not necessarily please everyone or even anyone.

To be sure, the post-honeymoon reality of governance in Ontario can explain part of the public's negative reaction to the budget. However, I believe the negative reaction signifies much more than the end of the Rae government's honeymoon. I believe public honeymoons with government in Canada ended a long time ago. The public has become far too cynical for honeymoons. Now they judge us, your government and my government, day by day and issue by issue.

In the case of the 1991 Ontario budget, my colleagues and I believe the public views the \$9.7-billion deficit and the spiralling accumulated debt, \$77 billion by 1994-95, as evidence of too much government, unreasonable levels of taxation and needless duplication. In my view, the public views constantly expanding deficits as an easy way out, an

admission that its children's taxes are going to pay for today's services. The typical taxpayer, Jane Q. Public, does not run her personal finances in this way. I have learned to be ambivalent. She lives within her means and tightens her belt when times are tough, and she expects governments to do likewise. From John Q. Public's perspective, it was bad enough hearing about multibillion-dollar deficits from Mike Wilson. Now the public is learning the deficit virus is spreading from Ottawa to the province.

I suggest that if provincial politicians put their ears to the ground and listened to the public, something we municipal politicians do pretty darned well, they will hear the beginnings of a stampede towards an obvious solution to big government and persistent deficits, a province-wide tax revolt. We are all hearing rumblings of that out there right now. On this question of revolts, municipal governments can act as distant early warning systems for other levels of government. Let me tell you, we are picking up plenty of activity on our political radar screens.

The tax complaints we hear about most often focus on two main issues: inadequate political accountability and needless program duplication. This entanglement is a big part of the solution on both issues.

Governments in this province, all governments, are going to have to sort out the existing mess of entangled roles and responsibilities. Governments are going to have to simplify the way they deliver and finance services. They need to demonstrate to the taxpayer that they can deliver value for the tax dollar. Right now the taxpayer finds it nearly impossible to hold individual governments accountable because it is unclear exactly who is responsible for a given service. Welfare funding is a perfect example, or maybe I should say an imperfect example, of our entangled intergovernmental relationship. In the middle of a recession, Ottawa cuts its share of welfare funding by capping payments from the Canada assistance plan, thereby causing a hike in provincial and municipal welfare contributions. Shortly thereafter, the province's budget increases its basic social assistance payment rates—20% of which we municipalities must fund.

I suspect the municipal taxpayers do not care or even know about the federal cap on CAP or the provincial welfare rate increases. All they know and care about is the property tax increase that flows out of these policy decisions their elected councils had nothing to do with. If governments are going to correct this accountability problem, all three levels of government, federal, provincial and municipal, are going to have to work together to disentangle their respective roles and responsibilities. Disentanglement will permit voters to make informed choices about the quality and indeed quantity of public services they receive. Democracy in a federal state like Canada demands no less than informed choices.

I say to you that if the province really believes in disentanglement—and this is something I have talked about for many years and, I suggest to you, through various governments—the process that led to the Back on Track welfare

reforms is the wrong way to go. While not strictly part of the 1991 budget, Back on Track clearly illustrates the need for careful consultation by the province on programs where responsibility is shared between different levels of government. In that sense, the Back on Track process provides a lesson on process for future provincial budgets.

In more recent days, I will give some credit to the ministry, the government. In my view, they certainly have not changed their philosophies about Back on Track and I do not think this minister ever will. But they have realized they cannot accomplish some of the things they thought they could by August, and that in recent days there has been, and I hope will continue to be, some dialogue with municipalities and AMO, the Association of Municipalities of Ontario, on how this will or can be implemented. But even that is after the fact and not before the thing was mandated.

I have come to the conclusion many of their recommendations make the welfare reform process more complicated and more adversarial for persons applying for assistance. In many ways, Back on Track, far from disentangling and simplifying what now can be an inhumane, bureaucratic maze, will entangle and further complicate the delivery of welfare, aside from the costs.

Peel supports many of the recent changes that have given the poor a more reasonable allowance to live on, changes that have also provided recipients with financial incentives to work. However, the single greatest step towards welfare reform still lies before us. The province needs to fund 100% of welfare programs from the progressive income tax base and allow municipalities to fund hard services on the property tax base. In this way, income can be properly redistributed by the province, and benefits can be standardized province-wide. I am not suggesting there is a free lunch for us and the municipalities either. I think we should pay our way, but I think there should be discussion on how we can disentangle.

I must say I was disappointed to see that the 1991 Ontario budget had nothing to say on the issue of provincial-municipal disentanglement, yet we had much input prior to the budget's coming down. Even a statement of support in principle would have been helpful. However, I am marginally encouraged that discussions between the province and AMO on disentanglement are continuing to move forward. I will be even more encouraged when the province broadens the process and deals directly with regional chairmen to remove general welfare assistance from the property tax base in exchange for regions taking on additional hard-service financing.

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Make no mistake. Disentanglement is the number one priority on the regional agenda, not just my region. I just returned from a meeting of regional chairmen last week and it is something we were unanimous about. A successful disentanglement exercise is necessary if tax revolts across the province are to be avoided. Disentanglement is not a partisan issue; it is simply a question of good government. I urge all parties in the Legislature to support this much-needed reform.

On the question of fighting the recession, municipal governments understand the province's determination to

be seen to be doing something constructive. Recessions hurt people in very real ways. Families are split and careers are shattered. Recessions are a serious business. Fighting recessions should also be a serious business.

Accelerated capital works spending is a time-honoured method of stimulating a weak economy. Surely the bonding agencies, the Bay Street types and the public at large understand this and consider debt financing of tangible capital assets as an investment in the future. The problem is that the Treasurer's \$6.3-billion increase in 1991 spending features only \$1.1 billion in capital spending.

In the minds of our old friends Jane and John Q. Public, might be acceptable for people and governments to borrow money to finance a new house or a new car. However, borrowing money to pay for the groceries is not deemed good financial planning by any stretch of the imagination. Premier Rae was not elected to provide programs taxpayers cannot afford to pay for. The public expects tough choices about resource allocation and understands that services are not free. "Pay as you go" has to be the philosophical rule of the day when it comes to provincial and municipal budgets.

We now see signs the recession is easing, small signs albeit. When the economy recovers, will an extra \$35 billion in provincial debt over the next four years be a help or will be a hindrance? It seems to me that governments that choose to buy into a view of the economy, that have an obligation to buy in all the way, stimulate weak economies with deficit-financed spending and moderate strong economies by running budget surpluses. To continue running large deficits though an economic recovery would be economically irresponsible and, I believe, ultimately politically disastrous.

I guess the lesson I urge this standing committee to take away from the ongoing debate about debt and recession-fighting strategies is the following: Governments that want to intervene in a weak economy had better be awful sure of their timing and had better be willing to make tough spending decisions during the subsequent recovery. Time will tell if the current government is up to this fiscal challenge. If the Ontario government fails to meet this challenge of being fiscally responsible across a whole business cycle, the credit worthiness of all governments, the province may be adversely affected. This is a particular concern for Peel region. We are one of a select few municipal governments with a better credit rating than the province. Peel's credit rating is triple A on both boards, the highest possible designation. It has been for some time and continues to be.

As we all know, "competitiveness" is the new economic buzzword. The budget contains a policy paper on this subject. I am told the government of the day does not like the word "competitiveness." They see it was a code word for staff cuts and wage rollbacks. I, for one, like the word "competitiveness," balanced by a concern for social justice. I like the notion that wages should expand only as quickly as productivity improves, that is, CEO wages as well as factory wages. The decline in Canadian competitiveness concerns me as a Canadian citizen and as a holder of public office in a prosperous community. I agree with the Premier that key actors in the economy, business, government and labour, need to work together to improve our competitiveness.

Municipal governments have a significant role to play in Ontario efforts to remain economically competitive. To the extent that provincial-municipal disentanglement will make Ontario's governments more efficient, economic competitiveness will be improved. Just try to be competitive without first-rate water and sewage services. Just try to be competitive without a comprehensive road system to haul goods into the American market. Just try to be competitive without properly planned communities.

Most important, just try to be competitive without governments committed to balanced operating budgets and reasonable tax and regulatory policies. Disentangled municipal governments can be a part of the competitiveness solution because we can provide the least amount of the necessary government at the lowest possible cost. Municipal governments must and do balance their operating budgets every year. They borrow money only to finance capital works like roads and sewers. Debt-servicing levels are strictly regulated by the OMB.

This commitment to "pay as you go" financing is not the product of elected municipal politicians who are somehow more disciplined or visionary than their federal or provincial counterparts. In fact, municipal fiscal responsibility is largely the product of legislation. We are legally obliged by the *Municipal Act* to balance the budgets—many of you who have been at the municipalities well know this—so this is what we do. We balance budgets, and we would not want it any other way. This legal requirement protects our politicians from themselves during weak moments when interest groups are pressing hard for new programs we really cannot afford. That did not happen in your day, Mr Stockwell.

Mr Stockwell: No, it never happened in my day.

Mr Bean: I suspect there may be a lesson here for all governments to consider, the lesson of legally mandated budgets. Operating budgets should balance over the life of the business cycle, perhaps over a five-year period. It might be easier for federal and provincial politicians to allocate resources if they built some budgetary fences around themselves. Fences that guarantee a "pay as you go" approach would win out in the medium to long term. Legally mandated limits work for municipalities. Perhaps they could work here or in Ottawa. Such limits may be the only way to ease public cynicism over the ability of governments to manage the country's finances.

To summarize, let me say I think all levels of government have to do better. We have to do better. Our programs need to be simplified and made more efficient. Our various roles and responsibilities need to be disentangled and made clear to the taxpayer who bankrolls our efforts. Our budgets need to balance over the longer term of an economic cycle, and debt should only be used to finance capital investments, not operating expenditures. In short, governments need to govern in the name of the general good, not in the name of any particular special interests.

As an aside, I do have some good news. I should not preach disentanglement unless I practise it, and indeed in Peel we have for some time. We are seeing some signs where not just our area municipalities work more closely with us but our school boards, and in working out purchasing

and combined tendering processes, there is a way, and we are finding a way within our responsibility and indeed the authority that we have, without permission from any other level of government. We can and must practise what we preach, so while I preach, and many of you have heard me maybe far too often over a dozen years talking about this kind of thing, we in Peel and our constituent municipalities and other levels of government are seeing some signs of progress. It can be done.

I hope my comments are somewhat helpful to the committee and the government. I hope the next year's provincial budget reflects the schooling in real-world governance the NDP government is now receiving. I hope I do not need to appear before the committee again next year and at least have the same message.

Let me say to you that I think the bottom line in my presentations as they come before the various committees at Queen's Park—through various governments, I underline again; it is not just this one—is communication. We have asked for that for a very long time, through various ministries, through various premiers. We believe even though sometimes the pill is bitter, we can deliver the services to the taxpayer. At least we can say we were part of it.

It is easy to blame another level of government, and all of us do that far too often. It is easy for you to blame the feds and us to blame you and everybody blames everybody else, and I can tell you, and you know, that your constituents are saying, "A pox on all your houses, because you're all to blame," and, you know, we are.

We want to do our part in Peel. My colleagues in other regions also want to do their part. We are happy to meet with committees and ministers at every opportunity, through AMO, through a regional chairmen's group and individually.

Thank you, Mr Chairman. That is the full cup of my comments. I am available.

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The Vice-Chair: We have approximately two and a half minutes per party, starting with the third party.

Mr Stockwell: The \$700-million program was bandied about quite often by the government and its suggestion was that it would be an anti-recession program. How did that work in Peel? Was it an effective use of the money? Did you start new programs that would not have been done previously?

Mr Bean: The short answer is no. There were no new programs started that were not scheduled anyway.

Mr Stockwell: I have not talked to a municipality that has not given me that answer. So in effect it is a capital works program, but it is very difficult to get a capital works program up and going in a few short months, as I would see it.

Mr Bean: Exactly.

Mr Stockwell: The other question is disentanglement. I hear that quite often. I agree with balancing your budget during a term of five years. The trouble is that provincially we do not really know how long the term will be. But I do not disagree with that. I also agree that debenturing, as municipalities term it, capital works at the provincial level

should be the only thing borrowed for. Your operating budget you should pay as you go.

The disentanglement makes a rather interesting debate. You are suggesting maybe the municipalities could take over roads work and the provincial government could take over social services.

Mr Bean: Sure. What I am saying very succinctly is that if we want to develop, and Peel does, and we are, then we should be able to pay as we go. If we want to bring new development in, we should be prepared to pay a bigger share of the hard services, where we have some control. If a municipality cannot afford to do that or chooses not to do that, then it chooses not to develop as quickly as we would. At least we have some control. With welfare, of course, we do not.

Mr Jamison: Thank you for your presentation. In your presentation I hear the word "restraint" and so forth. You mentioned as you gave your report the freeze from the federal government, which showed a cutback in their—

Mr Bean: A cap on CAP.

Mr Jamison: That is right. When we met with AMO just a few short days ago, AMO lauded our ability to make a transfer in a difficult time. Couple that with the tax coalition group, or groups, that are out there and I would like to ask you, what in fact would you have had to do as a municipality if that 5% increase in transfers to the municipality was not there? What would you be doing at this point in time, or how would you have dealt with that as the region of Peel? Again, it was interesting to hear AMO laud the government for doing that. What it would have meant to your taxpayer group in relation to the coalition is what I am talking about.

Mr Bean: Let's take Peel this year. We had no increase in our property tax base on all line departments save and except welfare and police. The police are more than half of our budget and we had a sizeable increase in police. In all the other departments, including social services—that is seniors and day care and all of those things—we came in at a zero increase in our budget. We then had to come up to about 6% because of welfare and part of the police.

So to answer your question, if the kick had been more severe to us, we had no choice; our property tax base would have had to make up the differential. With the trickling down, if you will, from the feds to you and you to us, we would really have just been in worse shape than we were. We were in bad shape because of welfare and we would have been in worse shape.

I guess what I am flagging in here is that I am saying to this government, have a very serious look at Back on Track, because if you think this year was bad, wait until you see what municipalities say to you next year with Back on Track implemented, which is going to make it worse.

Mr Jamison: My question was, what would it have meant to your ratepayers?

The Vice-Chair: Sorry, Mr Jamison. I have to move on to the official opposition.

Mr Bean: A couple more per cent.

Mr Phillips: Two quick questions. I really appreciate your thoughtful presentation, and the budget is going in a direction that is not consistent with your recommendation in that there are four years of very substantial deficits.

My first question is, I think this budget was designed to kind of get the economy going again. I would like your feeling on how well you think that will work in terms of getting the economy going. I ask you particularly, because you are historically in the fastest-growing area in Canada and you will see either a pickup or a slowdown probably faster than anybody.

On my second one you may not be able to give me an answer today, but I would appreciate your thoughtful comments on the capital account fund proposed in the budget which says that the province should be spending \$5 billion to \$6 billion a year on capital and therefore will spend \$1 billion to \$16 billion over the next three years but will only show about \$1.2 billion in expenditures. I would like your thoughts on both of those.

Mr Bean: I think the second one is much more difficult and I will probably want to reflect back on it and give a more thoughtful answer to the committee another day.

But you are quite right. The region of Peel, and the other one is the region of York, are the two fastest-growing regions and we see indicators more quickly, although in Peel we are fortunate that our growth is not just single large industries; there is a good cross-section. I hope what this province has done will show some stimulation.

I guess the point I would make to you is that I think there has to be dialogue. Just as our treasurers all talk to each other and our chief administrative officers all talk to each other, I believe the government, the ministries, should be getting the dialogue from the municipalities, both AMO and through various committees of treasurers, as an example, while they are thinking about legislation. We talked about that when your party was in government. I think we could help shape the legislation and then at least we would have to take some responsibility too.

So the short answer to your first question is that I hope indeed it is going to work. I think we see some signs in Peel now that there is some turnaround. There are some positive things in the building industry right now in Peel. We are very large in housing. We have a large housing department. So there are some positive indicators on the horizon right now.

On the second one, I think I would like to get back to you on it.

The Vice-Chair: Thank you, Mr Bean, for your presentation today.

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ONTARIO TRUCKING ASSOCIATION

The Vice-Chair: Our next presentation is from the Ontario Trucking Association, David Bradley, president; John Sanderson, vice-president of corporate development; and Paul Hammond from Muskoka Transport Ltd. Welcome to the finance and economic affairs committee on post-budget hearings. You will have approximately half an hour overall for the presentation. Whatever time you use for your verbal presentation will be subtracted from the

ne for questions, which will be divided equally between three parties. So if you would like to commence your presentation.

Mr Bradley: We are pleased to be here this afternoon. I would just like to indicate that John Sanderson is the vice-president, corporate development, at CP Trucks in Willowdale; He is not with the Ontario Trucking Association. He is a board member. Paul Hammond is the president of Muskoka Transport in Bracebridge; that is a smaller, family-owned company.

We did appear before the committee back in January, and you will recall at that time our message was that the trucking industry was reeling from the impact of deregulation at both the federal and provincial levels, from the impact of the recession and from the impact of the government of Canada's monetary policy, the high dollar and high interest rates.

At that time we were seeing bankruptcies in the trucking industry escalating, we were seeing employment decline and we were seeing the flight of trucking companies involved in the transborder business, at least part or all of their operations, to US bases. While we put a number of proposals and issues before the committee at that time, really our message was two key things, "Please, don't raise taxes on this industry at this time and please, if you can, find the way to provide some short-term, temporary relief to save those jobs and to maintain this essential service in the province." We met with the committee, as I mentioned, and so with the Treasurer and other people in government.

What has happened since January? Things did not get better through the course of the winter and continue to this day. Bankruptcies in the Ontario trucking industry in 1990 were up 156% over 1989. For the first five months of 1991 they are up again, by 74% over the same period in 1990. Employment in the trucking industry declined by over 9% in 1990, and that is against a national average drop of 2%. In the trucking industry, I think, has been more severely hit, particularly in this province, than other industries.

As I mentioned, we have seen the bankruptcies up 74% but really starting to hit in terms of the family businesses and some of the major employers in the trucking industry. Since January we have most recently seen Taggart Transport in Perth close its doors. That is a 70-year-old family business. It employed 260 people at the time of closure. A couple of years ago that company employed about 500 people.

In the same part of the province, in April we saw the bankruptcy of GTL Transport, one of the top five trucking companies in Canada, throwing in excess of 600 people out on the street in Ontario.

As well, we saw Bill Thompson Transport, an innovative and efficient carrier in St Thomas go bankrupt. That company employed 500 people in Ontario.

The flight to the United States of trucking companies involved in the transborder business has continued unabated. It is not something they want to do but is something they have been forced into doing. Now most of the major transborder carriers would have a US subsidiary. I mention to you that the growth now in the transborder market is going to be on the US side. Interesting. You take the example of Bill Thompson Transport. It went bankrupt

in Ontario and is now operating out of Pontiac, Michigan, employing US drivers, using US equipment and paying taxes in the United States.

Against that backdrop then, you can see why we as an industry were somewhat shocked and felt somewhat betrayed by the April budget in which the Treasurer announced a 31% increase in the tax on diesel fuel. He indicated at the time that he was aware of the industry's problems and that there was a recession on, so he would stage that tax increase in two parts, a 1.7-cent-a-litre increase on the day of the budget and a further 1.7 cents a litre to come on January 1, 1992, but still a 31% increase in the tax on fuel.

As you can imagine, that has a significant impact on our industry. In many operations fuel represents up to 30% of operating costs. We estimate that when the full tax increases come in that is going to add \$2,000 in tax cost per truck per year to operate that vehicle.

What the committee needs to understand is there is no real ability at this point in the trucking industry to pass that cost along to the consumer. We have a hyper-competitive state and I think the government recognized that in terms of bringing in the moratorium on intraprovincial licences. But that is not going to have an immediate impact. It is a significant gesture, but we still need time. We cannot pass those costs along to the consumer.

Nor is there really any scope at this point in time for the industry to absorb that kind of cost increase. Profit margins are thin or non-existent. The trucking industry in Ontario has been operating at a loss for the last three years. For many companies, many family companies, many owner-operators—the one-man, one-truck operation—currently hanging by a thread, this tax measure contained in the budget is going to force some of those already on the brink of failure into bankruptcy. I cannot say to what extent it had an impact on Taggart and some of the other ones I have mentioned. Certainly there are a lot of factors that go into this, but it is a factor none the less. It is also one that is taking away from many companies right now the hope of surviving during the current period.

The Treasurer indicated in his statement bringing down his budget, however, that the reason he was bringing in this tax increase was in the interest of fuel efficiency and fuel conservation. In other words, it was an environmental tax. In the trucking industry we think it is a laudable goal to be trying to improve fuel conservation and efficiency, and certainly our industry has been working hard over the last couple of years to clean up our act with respect to the environment and to do a better job than we have been doing, but we have been doing a good job and I do not think that has been fully recognized.

There are some other factors that I think need to be taken into account, because while the goal of improving the environment may have been the justification for this tax measure, I argue that really the tax measure is going to work in the opposite direction and is going to impede the ability of the industry to improve its environmental performance.

The reason for that is that there has been a lot of work under way with respect to fuel emissions from the heavy trucks. Recently we have been meeting with truck engine

manufacturers. There is data contained in the brief that will show you there are two pivotal years. One is 1991 and the other will be in 1994, where the engine manufacturers have had to adapt to new standards—these are the Environmental Protection Agency standards in the United States—for emissions from heavy trucks. These have not been adopted as legal standards in Canada, but the manufacturers here are voluntarily complying with those.

The 1991 heavy truck engine is emitting 50% less emissions of NO_x and particulates. In 1994, when the next round of improvements comes into being, you will again see further significant reductions in emissions. There are some very exciting things under way. As well, by 1993 or 1994 we are going to see the introduction of clean diesel fuel in the trucking industry. That is a low-sulphur-content diesel fuel. In fact, we will see a reduction of 90% in the sulphur content of diesel fuel by weight. As well, by the mid-1990s we are going to see the introduction of particulate traps. These are traps that will appear on a truck and will, in effect, capture any emissions that are still getting out at that time.

These are exciting things on the environmental front. However, they do not come without a cost. The new truck engine I mentioned currently is an increase of about 15% over previous model years; the new clean diesel, when it comes into being in the mid-1990s, is estimated to add up to five cents a litre in increased cost on diesel fuel; and particulate traps will add about \$15,000 to the cost of a truck. Expensive stuff.

The other side of the coin is that when one talks about fuel efficiency and fuel conservation, I guess the justification for the tax was: "Penalize them. Put a cost on that pollution and they will have to become more fuel-efficient." The fact is that since OPEC, the trucking industry has doubled its fuel efficiency, a remarkable performance, but now, as the engine manufacturers are moving into making cleaner, less-emission engines, there is a tradeoff between fuel efficiency and fuel emissions. The facts are that the technology will not permit further substantive increases in fuel efficiency, certainly not on the order of those we saw in the 1970s and 1980s. If you want improved reduction of fuel emissions, you are not going to get further major improvements in fuel efficiency.

There will be some scope for further improvement. That can come through driver training, new tires, aerodynamic flaring, those kinds of things, but substantially the technology is such that there is not much more they can do with the truck engine for the foreseeable future to get much more efficiency out of it. In effect, the tax is a penalty to which the trucking industry is not going to be able to adjust. It is as simple as that.

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I have mentioned the cost of these new engines and that 1991 is an important year and 1994 is an important year. The bare facts are that very few, if any, truckers right now have the money to invest in this equipment. Most of the equipment that you would find out on highways is mid-1980s vintage. Adding a further tax and taking away whatever profit there is in the industry now by virtue of this tax measure is simply going to make it that much

more impossible for the industry to meet this environmental challenge and, at the same time, to invest in equipment that would assist us in our competitive situation. New equipment is more productive. They should be somewhat more fuel-efficient, the 1991s, than what is available in the mid-1980s models.

Look, if we really do want to keep this essential service, trucking, in Ontario, if we do want to maintain those jobs and try to bring some stability to the industry and we really are serious about the environment, then do not just give us words on paper about fuel conservation; understand and work with the industry in trying to bring about those technological enhancements.

Our recommendation to the committee would be that you recommend to the Treasurer that he repeal the 31% increase in the tax on diesel fuel. I realize that is difficult for Treasurers to do, but again, if we are serious about the environment, if we are serious about the jobs, then let's go on with the business of making those things work. As well when we visited with you in January we recommended that the government introduce a temporary exemption from the retail sales tax on heavy trucks and trailers, parts and labour. That, I will remind you, is something that was introduced during the 1982 recession for the trucking industry. We are asking that it be introduced again.

Both of those measures, I think, would help. They would not solve the problems of the trucking industry—not all of them are the provincial government's responsibility—but they would certainly help to put the industry on a more viable and competitive footing and, at the same time, help us to meet the environmental challenges that lie ahead.

Our response at the time when the budget came out was that we thought it was insensitive and regressive with respect to the concerns of the trucking industry, and we still believe that to be the case. Other people said stronger things or took even stronger action. You will recall the blockades of May. The Ontario Trucking Association does not do its business that way. We launched the "Axe the Tax by Fax" campaign to try to bring all those involved in the industry—the workers, the unions, the carriers, the suppliers—to the attention of the Treasurer. He did meet with us and discussions are ongoing with his officials, but I certainly think a recommendation from this committee would go a long way in terms of maintaining a viable domestic trucking industry in Ontario.

I thank you for the time. We welcome any question you might have.

The Vice-Chair: Thank you very much for your presentation. We have about four minutes per party. We will be starting with the governing party.

Ms M. Ward: Thank you for your presentation. I wanted to ask you basically for some background information—it might be in here, but I do not see it, flicking through the pages—about the relative freedom to do business in Canada and the US. My understanding, under the deregulation that went on under both the federal and provincial governments, is that US carriers are free to operate here, to bring goods here and to move them from province to province. I seem to recall that you do not have the same

nt. You may have in certain states, but you do not have right throughout the United States for a Canadian truck transport goods to the United States, pick up goods there and move them to another state, whereas the American trucking companies have the right to do that here under the regulation that went on under part of the free trade agreement. Then the previous provincial government introduced some legislation which was to more or less parallel federal legislation. Could you give me some background on that?

Mr Bradley: Yes. Essentially, you are correct, although, as with most issues in trucking, it is a little more nuanced than that. The United States deregulated its interstate trucking industry in 1980, which meant it was easy for Canadian truckers and for American carriers to get licences to operate into and out of the United States for cross-border trucking. In Canada, in 1988, the Canadian federal government deregulated inter- or extraprovincial trucking here in Canada, which gave anybody easy access to licences to operate into and out of Canada. So in that sense it was more or less equal from a licensing situation. Ontario, however, they took deregulation one step further and deregulated intraprovincial trucking, that is, movement within the province.

In the United States they never followed through with that second round of deregulation. Currently, only seven states are deregulated, and they are places like Arizona, Wisconsin and Alaska. None of the contiguous northeastern states are deregulated. In fact, they still maintain regulated environments, which means it is next to impossible for a Canadian or anyone to get a licence to operate, say, between points in Michigan or between points in New York.

There is the licence aspect of that, but there is also a customs and immigration aspect, and there are restrictions on Americans operating within Canada, just as there are restrictions on Canadians operating within the United States. Certainly, the licences are available and under certain limited circumstances they can conduct what is called botage here.

Ms M. Ward: That would make the Canadian costs higher, in the sense of a Canadian truck company going down there and taking goods, and the American company bringing goods up here and then doing some local shipping, you might say. The local component of it would reduce their costs of shipping up here, would it not?

Mr Bradley: The Americans have a cost advantage over Canadian trucking companies, so to the extent that they compete with us on the transborder market, they are able to take advantage of that lower cost base, and to the extent that they would be able to operate intraprovincially, which is limited, then they would be able to take advantage of it there. But there are not too many Americans right now who are operating intra-Ontario. Those who are have cut out operations here.

Mr B. Ward: I want to go back in the past a little bit. In the 1980s, I can recall a number of protests against the federal government, against deregulation, privatization, a number of federal policy issues. It seems to me—I am not a trucker, but I do have a neighbour who is a trucker—that

what is killing the industry is the implementation of deregulation on top of free trade, on top of a high dollar, high interest rates, because the licences increased massively under deregulation. I was just wondering if your organization in the 1980s publicly supported or publicly opposed the implementation of deregulation and/or free trade.

Mr Bradley: We publicly opposed. However, when those things became a political reality, both at the federal level and here in Ontario, we tried to make the best of a bad situation by working with the legislation to try to put some safeguards in for the industry and also to ensure that we had a level playing field before we entered into deregulation. That has not happened, and some of the things we forecast at this table three years ago, sadly enough, have come true.

But at the same time, while the federal government has a major responsibility here, I would not let the Ontario government off the hook to say, "It's all Ottawa."

Mr B. Ward: I am not saying that.

Mr Bradley: Ottawa has to do something, but the provinces essentially regulate transportation in this country, and tax transportation as well. I come back again to the tax measure, that a trucker, whether he is an interprovincial or intraprovincial trucker, still pays the Ontario diesel fuel tax.

Mr B. Ward: Does the trucking—

The Vice-Chair: I am sorry, Mr Ward. The time is up.

Mr Kwinter: I would like to raise some questions about your efforts to try to lessen the impact of the budget. I recall that when you appeared before us in the pre-budget hearings you had severe problems then. You were looking for some sort of government help to allow you to stay competitive, to allow you to stay in business, and then as a result of the budget, whatever problems you had were exacerbated by this 31% additional cost.

When the Treasurer announced that, I immediately rose in the House to question the one aspect of it, which was the gasguzzler tax and what it would do to automobile production in this province. He then said to me it was of no impact. He saw no reason to change it and notwithstanding that he would look at it, he would expect that he would not change it. He said that publicly. The Minister of Industry, Trade and Technology said exactly the same thing: that it had virtually no impact on production of automobiles. As a result of an intervention by Bob White—who initially approved it until he started to get feedback from his members—it was changed, and they made a total about-face. My question to you is, do you not have access to the same kind of clout to get them to rescind this thing for the truckers? Obviously, any business that is in trouble and then suddenly has a 31% increase in one of its major costs can only suffer worse than it was before. What progress, if any, are you making in trying to get this changed?

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Mr Bradley: Obviously, we also took note of what happened with the gas guzzler tax and it was quite distressful to us. That was part of the motivation behind *Axe the Tax by Fax*. When we met with the Treasurer during that week it was not only OTA but we also had representatives

of the trade unions, from the trucking industry, the owner-operator associations and suppliers.

We have met with the Treasurer. We are continuing to meet with his advisers. We are bringing the same case forward that we brought to you, but there has been no decision yet. There is another study under way right now in the trucking industry and he has indicated he wants to wait until that study is released some time in early September. I cannot answer your question about why for them something happened and something did not happen for us, an industry that is suffering just as badly and seeing jobs leave the province. I do not know, and it concerns us.

Mr B. Ward: Just a point of clarification: I think the statement was made, "It is an immediate increase." and I do not believe that is true. I would like that clarified.

Mr Bradley: No, it is. Half was midnight on April 29, the other half will be on January 1, 1992.

Mr B. Ward: So it is not immediate.

Mr Bradley: Not immediate, no—15% now, 15% later.

Mr Stockwell: It never ceases to amaze me with this government that when someone comes in and wants to talk tax increases provincially, the government members want to talk about federal politics and deregulation. I think they have missed the point. Clearly the whole point of your deputation here was to try to emphasize the fact that taxes were draconian by nature. The letter you received from the Treasurer was interesting. I guess you slept easier when you got this letter, because he is going to do a study. That must make you feel a lot better, because you are going to have it back in July. I see in your report that with these tax increases we are going to be the third highest tax jurisdiction in North America, so they are going to do a study to see if you are right. Any comments on the study yet?

Mr Bradley: The study is something the Ministry of Transportation embarked upon some time ago when the minister of the day wanted to get a handle on the transborder competitiveness situation. I anticipate that study will show that Ontario-based carriers are at a competitive disadvantage with their US competition.

Interjection: Yes, that is part of the puzzle, but the problem is not only—

Mr Stockwell: So what? Have they promised to do anything about it should they get back a study that says, "Yes, we are the third highest"? So they do a study—big deal. Have they given you any commitment that they are going to act on that study?

Mr Bradley: No.

Mr Stockwell: No. So it is just empty promises.

Mr Bradley: Time will tell, but obviously we would like to see some immediate action.

Mr Stockwell: Take my word for it, you have got a bag of air on that one. The next question I had is: You made your appeal obviously vocally or on your fax campaign; have you had any meetings subsequent to that with any of the ministers or ministry officials?

Mr Bradley: Yes, we have. As I mentioned to you, discussions with the Treasury people and the Ministry of Transportation are continuing.

Mr Stockwell: Last, I personally think this environmental stuff was just a red herring. I think this is just a tax grab, plain and simple. It is a nice way to grab some money and apply it to a deficit that was \$9.7 billion, which would probably be at \$11 billion if they actually used the numbers. Have you been able to convince the ministry that you are embarking on the environmental concerns it has had some years ago, that you are working diligently to ensure that truckers are cognizant of the environment and are doing their best to ensure that the diesel fuel dilemma you are faced with should not be hinged on environmental—

Mr Bradley: That is the focal point of what we are trying to bring to their attention. Whether we have been successful I guess we will find out if the government sees fit to make an adjustment on the diesel fuel tax side. You used the words "tax grab." You may use those words, but it will not at this present time. But it would seem rather strange to me, given the facts we put forward. In fact it is our belief that this budget impedes our ability to help enhance the environment. What was the purpose of the tax? Is it really to help the environment?

Mr Stockwell: I do not think anyone buys that.

Mr Bradley: Because if it is, it was the wrong measure. You either adjust it or it is to raise revenue.

Mr Stockwell: You can take some comfort in the fact that obviously their policies are written in pencil, because Bob White got them to erase the car tax. Potentially if you can bring enough pressure on this government, they may erase this. I doubt it, but they might. So continue pressuring them; you may be successful.

The Vice-Chair: Okay, thank you very much for your presentation today. We appreciate your coming before us.

CANADIAN AUTO WORKERS

The Vice-Chair: Our next presentation will be from Canadian Auto Workers, Local 1967, Nick De Carlo, president. Just to go over the procedure, I have approximately a half-hour for the entire presentation. Whatever time you use for your verbal presentation will be subtracted from the time for questions, which will be divided equally between the three parties. So if you would like to comment on your presentation.

Mr De Carlo: Our local has 3,500 members active employed at McDonnell Douglas and an additional 800 members who are retired. The current government must be applauded for having the courage to invest in new efforts to create jobs in this province. It must be applauded for not attacking the social services and the health care and education system that protects my membership and all the people of Ontario.

A massive attack on the deficit would have been the easy way out, the way favoured by business and the wealthy. Notice how companies repeatedly run to the government for handouts, money they somehow feel is rightfully theirs, while they blame the rest of us for forcing up government spending and creating the deficit. The wealthy

ners and directors of these companies take more pay and tax breaks while they object to the workers, who pay most of the taxes, increasing or even maintaining their pay. Workers, according to them, are supposedly ruining the country. Attacking the deficit was not the route chosen by this government. They did not listen to the business class on this issue and we can be thankful for it.

None the less this report is critical of the Ontario government for not going far enough in addressing those issues that will build an alternative to the economic deterioration that is facing the province and the country today. The government of the day did not attack or deal with the issues that will develop the democracy necessary to give the people of our province a real say in their future. They did not take a direction in taxation that would shift the tax burden away from workers and put it more fairly on business, as they promised they would do. The Ontario Federation of Labour as well as unions and locals affiliated to it, as we have, have been and will be making presentations to this standing committee. This presentation agrees with the basic premise of those presentations, so we want to start with some quotes from the Ontario Federation of Labour.

The Ontario Federation of Labour makes the following points regarding the economic climate, the worst recession in 50 years. The point there is that manufacturing jobs have dropped much more dramatically—the statistic is missing on the brief—compared to jobs that dropped 7.2% in 1981 and 1982. Ontario's rate of job loss has been over twice that of the national average, accounting for 80% of the national loss in jobs. Many of these jobs are gone forever. In 1990, 65% of reported permanent layoffs were due to partial or complete plant closures. In the first five months of this year, 59% were due to partial or complete plant closures. By contrast, in 1982 only 24% of the permanent layoffs were due to shutdowns. The remainder were the result of companies temporarily reducing their numbers of employees.

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Manufacturing jobs are hard to replace. The average wage for manufacturing jobs in Ontario is \$630 per week, considerably more than the industrial average of \$542 per week; and the average in the service sector, where most of the jobs have been created over the last decade, is \$511 per week.

We are experiencing major industrial restructuring as well as a downturn in the economy, and I do not think that the impact is much in dispute.

The role of the federal government: Mulroney economics and the recession. Ontario's 1991 budget does try to do something different. As Treasurer Floyd Laughren said, "We had a choice to make this year—to fight the deficit or fight the recession. We are proud to be fighting the recession."

Unlike the federal government, the Ontario government did not abandon its responsibilities to working people, their families, and their communities. Let us look at what the Mulroney Tories have done. Cutbacks: Federal government cutbacks hurt Canadians in all provinces, but they have cost Ontarians the most. Cutbacks to established programs, to the Canada assistance plan and other programs, will cost the people of Ontario over \$1.6 billion this year alone. The result is increased pressure on the provincial

programs, such as welfare and social services, designed to alleviate poverty.

The freeze on established programs financing could well mean the gradual death of medicare as a national program enjoyed equally by all Canadians by the 1996-97 fiscal year.

The Canada-US free trade agreement: Three years into the Mulroney-Reagan trade deal, we have lost hundreds of thousands of jobs—especially highly paid manufacturing jobs—and seen dozens of plants and factories close. The same people who brought us the Canada-US free trade agreement are at it again trying to integrate the economies of Canada, the United States and Mexico.

We support the Ontario government's position. The Ontario Ministry of Industry, Trade and Technology said, "A possible trilateral trade deal between Canada, the United States and Mexico would be a harmful extension of an already flawed Canada-US free trade deal."

The goods and services tax: The GST is one more dimension of the Tory big business agenda for Canada. It involves a massive shift in who pays tax in Canada, from corporations to individuals. The GST will be paid by consumers to the tune of about \$9 billion a year in Ontario alone.

Since its introduction, it has become clear that the GST is hurting people even worse than predicted. According to the GST consumer information office, the average family will pay an extra \$570 a year in GST, about 50% more than predicted in government studies that were used to argue for its introduction—Globe and Mail, May 3, 1991.

The GST is the wrong tax at the wrong time on the wrong people. Although a provincial government cannot get rid of it, the NDP government refused to harmonize Ontario's retail sales tax with the GST, and refused to piggyback the provincial sales tax on top of it. That decision alone is important for our members and for the people of Ontario.

High interest rates: For years the federal government has kept interest rates high, claiming this was necessary to fight inflation, to support the Canadian dollar and to attract investment. High interest rates, they claim, are essential to lowering inflationary pressures which, among other things, force interest rates up.

They have got it backwards. High real interest rates hurt working people and hurt the economy. They add significantly to business costs by raising the cost of capital, and they kill jobs.

In the meantime, of course, high interest rates maintain the Canadian dollar at artificially high levels, especially vis-à-vis the United States. This undercuts the competitiveness of Canadian goods and services in the United States, and adds to the devastation caused by the free trade deal. Amazingly, it is the Tories and their big business backers who complain the loudest about Canada's lack of competitiveness.

Cutbacks affecting social services, free trade with the United States, a North American free trade agreement, the GST, high interest rates—this is the sorry legacy of the Tory government in Ottawa.

It is these difficulties that working people in Ontario have to overcome. The provincial government's budget helps us in our fight.

The Ontario 1991 budget: fighting the recession. The Ontario budget moved in the opposite direction to the Tories. Mulroney's answer is to raise taxes and cut services, making the recession worse.

The answer of the Ontario government is to fight the recession:

By sustaining and creating 70,000 jobs, so that the province lost 260,000 jobs instead of 330,000 to federal government policy.

By undertaking the most aggressive anti-recession effort in all of Canada through increasing overall spending by 13.4%.

By creating the \$700-million anti-recession program which, when combined with the contributions of local government and agencies, will bring total spending exceeding \$900 million.

By maintaining health care and education despite cutbacks from the federal Tory government.

By responding to the need for action in such areas as worker protection, pay equity, social assistance reform, affordable housing and the environment.

By putting spending power in the hands of Ontarians—by not imposing the provincial sales tax on the GST, \$470 million will be left in the pockets of consumers in 1991—and enriching the Ontario tax reduction for low-income earners.

By creating a \$215-million social assistance reform package that is designed to provide benefits for those who are in greatest need, to help people get into the labour force, to increase fairness and accessibility, and to provide further relief to overburdened municipalities.

By providing tax relief for the poorest of Ontarians by initiating the largest enrichment in the history of the Ontario tax reduction program—this \$50-million enrichment means the number of low-income earners whose Ontario income tax will be eliminated or reduced will increase to 700,000 for the 1991 tax year.

By allocating \$48 million in 1991-92 to help lay the background for self-government of native peoples and resolution of land claims, for support of research and negotiations, with \$20 million to be spent on community infrastructure such as water and sewer systems, and \$5 million for 400 new child care spaces on reserves.

By making \$125 million available to Ontario's transfer agencies—both to major agencies, such as municipalities, school boards, hospitals and universities and colleges, and to other agencies—to assist them with the cost of pay equity; plus an unprecedented level of provincially supported housing activity for the development of another 10,000 non-profit housing units, which will cost the province approximately \$150 million in annual operating subsidies when completed.

Ontario's deficit in perspective: In all of the discussion of the province's budgetary deficit, little attention has been paid to its causes. Most of the deficit comes from the financial reality of the recession: falling revenues; increasing costs in health care, social services and education. A very large part of it is the impact of cuts in federal transfer payments. The cumulative impact of federal cutbacks to established programs financing—health and post-secondary education—and to payments for social services under

the Canada assistance plan is costing Ontario \$3.6 billion in 1991-92 alone.

Ontario's projected deficit of \$9.7 billion is moderate considered in perspective with the record of recent Conservative governments. The Ontario deficit is comparatively low in terms of total spending, in terms of gross domestic product, and in per capita terms with other provinces with federal Conservative governments.

Here is a chart which breaks down, by region, the deficit, the share of spending, the share of gross domestic product and the per capita. I will not read the figures. I think they are clear and they can be referred to.

Spending money now is critical to stimulating economic growth, to responsible fiscal management, and to helping our fellow citizens in difficult economic circumstances. The figures above demonstrate, Ontario spending is not out of control. In fact, it is less than other provincial governments spent to get out of the last recession.

Ontario's public debt charges—the interest cost of carrying its debt—are low as a share of its total revenue. The federal government spends 36 cents of every dollar of revenue as interest on its debt; spending which only serves to benefit investors and bond dealers. In contrast, Ontario spends less than 10 cents of every dollar of revenue on interest costs—less than every province except Alberta and British Columbia. These costs will rise to 11.6 cents next year, still far below the federal rate, and less than the debt charges of most provinces.

In summary, there have been actions taken that actually tend to stimulate the economy, which is the exact opposite of the budget initiatives of the other governments in Canada.

Those are all facts and information that have been presented by the Ontario Federation of Labour, and ones that this presentation supports.

There are many, as I am sure the members of this committee know, who are praising the Ontario government for taking that action. The social planning council refers to some in its presentation to this committee.

"The budget was a confidence builder," says chief economist and vice-president of the Conference Board of Canada, James Frank. Reducing the deficit "would have led to a significant delay in the recovery and contributed to further increases in unemployment, bankruptcies and low output."

"I believe most people in Ontario, including many business people, have had enough of the recession and weak housing starts, sluggish automobile sales, dropping employment and increasing bankruptcies."

"Had measures been taken to hold the line on operating expenditures, which rose by \$5.2 billion, or on capital expenditures, which rose by \$1 billion, we could easily have ended up with a much longer recession," Frank says.

"I think it is a move in the right direction to do something for a province that has been particularly hard done by in recent years," says Informetrica Ltd president Mike McCracken.

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From a CP newswire story, April 30, 1991: "Ontario's new-fangled socialist government has brought an old-fashioned style of economics back to the Canadian political

ene with its first budget. Despite a record \$9.7-billion deficit that has business and federal politicians crying disaster, that traditional thinking may be just what Ontario needs to survive the worst recession in half a century.

"It's absolutely the right thing to do in a recession," says John Smithin, an economics professor at York University's business administration faculty in Toronto. Instead of taking money out of the economy, they're dumping more back in. This is a welcome change from the way Canadian governments have reacted."

"Albert Breton, a University of Toronto economist says: 'The NDP's \$9.7-billion deficit isn't a monster. Obviously the business community reacts from a perspective that is unfounded practically in macroeconomics,' he said. 'I think the NDP did okay.'

"Although Breton said he does favour deficit financing as a rule, 'We're in a deep recession, and I don't think it's doing anything that is damaging to the economy—on the contrary. Because of a recession that's outside any government's control, any Ontario government regardless of stripe, would have had to run a deficit or dramatically slash programs.

"In fact, only \$1.5 billion of the NDP's budget is new spending. And only 11% of each dollar Ontario takes goes to pay off interest on the debt—compared with 30 cents on the dollar that the federal government spends to pay interest on its accumulated debt.

"Former US and British leaders Ronald Reagan and Margaret Thatcher also helped to bring deficits into disrepute with their anti-tax, free-enterprise economic policies; but other countries—including Japan, with the most successful capitalist economy in the world—followed Keynesian policies."

Inevitably, there must be government intervention in an economy, particularly one like the current Canadian economy, if we are to develop control over the economics of the country. This requires some basic changes, which cannot take place overnight. This presentation argues that the government of Ontario must take the first steps in that direction.

There are three aspects that need to be developed: (1) a community and worker role in developing the economy; (2) a method for bringing together the expertise, resources and planning necessary in order to develop alternatives; and (3) a source of funding.

These three aspects can be applied on the levels of small communities, municipalities and regions. They can be applied in an overall development plan or they can be applied more specifically to plant shutdowns or to cases where conversion may be necessary for environmental reasons.

Let's take a look at plant shutdowns. There have to be legislative changes made to require companies to provide information and to explain the basis for closing down an operation. This would give the community, the workers and the government the right to take a look at it. They should have the opportunity to establish that the plant does not need to close and to take the appropriate action or, if it is established that the operation is not viable, to develop alternative uses for the plant.

In the case of a small plant, the immediate community, including the workers in that plant, through the union that represents them, should first of all be guaranteed an explanation. The provincial government should then be prepared to provide expertise to that community and the workers to assist in developing a plan. The expertise should be in areas such as financial and market analysis, engineering, transportation, research, etc. The government can tie into universities, community colleges and various training programs to provide this expertise. There can therefore be a process of consultation and evaluation that would develop a plan to keep the operation going or to convert it.

In the case of larger industry, the workers and the provincial government should be guaranteed an explanation for the closure. The provincial government should set up a task force composed of experts from government, academia and the communities and unions affected. Their role would be to develop a plan for maintaining operation or conversion.

In the case of whole sectors that are jeopardized, like transportation or the aircraft industry, the government could approach unions and have them involved and ask them to come up with alternatives, again providing expertise for analysis and assessment.

In the longer term, permanent elected boards should be set up on a community and municipal level which are mandated to develop work projects and industry in their respective areas. In this case, rather than waiting for plants to shut down, they would take the initiative to create jobs and new production. They would combine involvement of workers and communities with planning and expertise in order to develop new jobs and new opportunities for the community.

The goal in these task forces or local planning groups and boards would be to develop democratic involvement and participation. It would be to find alternatives which do not penalize the workers or communities involved. The involvement of unions and communities is essential because it gives people a real role in determining their own future. Involvement of the people is what this country should be all about. Involvement will build enthusiasm and participation in any efforts to transform or redevelop. This enthusiasm and participation will ensure that the alternatives actually work. Involvement can also ensure that proposals and developments are environmentally sound and beneficial to the community. They can also, I believe, be used as a basis to do some research and build co-operation in terms of new types of production, environmental alternatives, any number of things that we do not really put much into in terms of research and development.

But plans are not enough. In many cases, funding and investment will be required.

On a larger scale, money can come from two sources: taxing corporations and developing investment pools. Ultimately, corporations will have to be forced to pay their fair share of taxes. That will go a long way towards eliminating any deficit.

It can be argued that if we tax corporations, it will speed up their movement out of the province. That is a real concern. On the other hand, we will be for ever at the mercy of these corporations if we do not do something. In the immediate future, tax loopholes should be closed and

the government should prepare the groundwork for a minimum tax on corporations.

Investment pools can also be developed. This would require a method for providing a guaranteed return, much like savings bonds, and/or a tax deductible investment for citizens who put money into the pool. The pool would have to be properly managed and have a range of investments in order to ensure its viability. They would be mandated to provide low-interest funding for projects outlined above.

Money from these investment pools would be available to fund worker and community projects for converting or maintaining a plant or for investment in operations that might otherwise shut down. Funding would be made available to elected community boards to initiate local projects which would develop jobs.

A process of worker and community involvement, combined with innovative means of funding and a step-by-step restructuring of the tax system, can start a process which will in the long run set the basis for a true Canadian- and Ontario-based economy. It will diversify and develop our economic base, develop expertise and create skills and jobs.

It will also give us, as workers and citizens of the province, a stake and involvement in our own future. As it is now, we are at the mercy of international companies that constantly blackmail us at the workplace level and at the government level. And it will alleviate a tax burden that our members are finding increasingly difficult to bear.

Our members are being taxed more and more. The increasing taxation provides no real guarantees.

There is no doubt that the business agenda internationally and in Canada is to deregulate the economy, cut social services, reduce environmental and safety standards, lower wages, and deskill the workforce. There is no doubt that they will use their powerful economic clout to do just that. Governments, presumably the most powerful institution in the country, responsible to the citizens of the country, are vulnerable to this power, and will be increasingly so unless steps are taken to turn things around.

The budget, praiseworthy for staving off the business agenda, is only partially in the right direction. It is clear from some of the steps promised but not taken, for example, taxation of corporations, that the government is vulnerable to pressure from business, which controls investment and the media.

The government of Ontario needs to have the courage of its convictions. It has to come up with new and creative ways to give our province back to us, the citizens. Unless they are able to come up with radically new strategies to get back some measure of control over our vast human, social and natural resources, then our choices will continually narrow as we are forced to bid on fewer, less-skilled jobs and an increasingly marginalized and unbalanced economy. If it fails to address these issues, it will ultimately disappoint the workers who have supported it.

I would just add at the end that the plant I represent has a workforce of 3,500. In the 1950s, it had 15,000 people and it designed and built the most advanced plane in the world. In the period of time since then, we are now at a point where we are a subassembly plant essentially. We manufacture wings that are sent to California. We do none

of the research and development. Though it creates jobs, it is nothing compared to what we used to have. It is a very graphic illustration of where the country has come, the choices that we had and the choices we failed to make and if we continue on this path, where we are going to end up.

Also, in the aerospace industry right now, the potential sale of de Havilland and whatever will happen with that again, it is a real attack on an industrial base and one of the few areas where there is research and development left in our country. I feel very strongly that if we do not start addressing these problems, although it is important—that action has been taken around the budget because it does offset some of the problems we have—there is a lot more that has to be done.

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The Vice-Chair: Thank you for your presentation. You have time for about two minutes for each party, and I believe we are starting with the official opposition.

Mr Kwinter: I get conflicting messages. You tell me on the one hand 15,000 employees have gone down to whatever the number was, and you are talking about big business. Throughout your whole presentation, it is anti-business. Big business is bad, these guys are terrible, you are glad they did not give in to the business agenda, we have to make sure that everything is back in the hands of the workers.

On the other hand, you are complaining that big business is moving out, cutting back, shifting. When I was the Minister of Industry, Trade and Technology, I brought Honda to Alliston, I brought Toyota to Cambridge, I brought Suzuki to Ingersoll, and I brought the paint plant to Oakville. In total, it created about 6,000 jobs, but in every one of those sort of sales pitches we were competing with other jurisdictions.

Unless there is an environment to bring those people here, to create the kind of jobs you want and the jobs you are saying we are losing, you are not going to get them. So you have to come to some kind of terms with the fact that as much as you hate big business, they are the same guys you want to create the jobs you want. How do you deal with that?

Mr De Carlo: I think the whole report addresses this issue, and it is interesting that the point you are making is exactly what I am talking about.

The presentation I made points out that as long as we are at the mercy of precisely that argument, where we do not have any alternatives but to bid whether Honda or Toyota or General Motors or Fiat is going to come here, we do not have much of a future because our future is dependent on somebody outside the country, at whose mercy we are left.

The alternative is to develop a pool of capital and involve the people of this country, who are quite capable of building an economic future for our country, in a process that will build the research and development, the infrastructure economically in the local level, so that eventually we will be able to develop our own companies and our own solutions to these problems.

One final thing. There is no doubt that companies are leaving, and you said why: because they are looking at the

of competitiveness or whatever, and we have to take it into account. We cannot just overnight change that, we have to build some alternatives or we are finished.

Mr Stockwell: Where did you mention competitiveness in here?

Mr De Carlo: I do not know. Where did I mention it?

Mr Stockwell: That is what I am asking you. You just spent a whole bunch of time talking about crap, in my opinion, and this is pap. All you are missing is the seven-year program, us living on communes and developing a manifesto.

Where did you talk about competitiveness? You never even answered the question.

Mr De Carlo: Which question?

Mr Stockwell: Competitiveness.

Mr De Carlo: What about it?

Mr Stockwell: How are we going to attract industry if our tax positioning and our potential for attracting it is being undermined by provincial governments and their tax cuts? How are you going to attract anybody when you cannot compete?

Mr De Carlo: I am sorry, but I guess you missed the point.

Mr Stockwell: I guess so. I guess I totally missed the point. In fact, probably 80% of the people in the province missed the point here. I mean, the NDP could have written this, for crying out loud. They probably did.

The Vice-Chair: Moving on, the governing party. The question.

Mr Jamison: Thank you for taking your time and making the presentation. I think everyone should have the opportunity to do that and should be well received at this committee level for taking the time and putting together a report, whether it be acceptable or not to any individual on this committee.

My experience with the Ministry of Industry, Trade and Technology—and I would like to preface what I am going to say, preface a question really in these terms, that I am pleased to see you have connected the policies of various government levels to the situation at hand. When I met with, for an example, the steel industry in this province, an industry that is not able to get up and move as readily as other manufacturers—if I asked them to identify one problem, it is the problem with export markets in conjunction with the level of the dollar.

Having said that, what are your feelings on that particular question and, coming back to our budget, with the 700-million expenditure on infrastructure in this province? Do you feel that may have shortened the recession we are in?

Mr De Carlo: Yes. I think that is a point made in the report that, yes, it helps to shorten the recession. Although I guess that is what it does, it helps to shorten it, it does not really lay the basis for the future in terms of preventing similar situations from developing.

As far as the dollar goes, I believe the policy should be for lower interest rates and to allow the dollar to drop lower. The problem is we are in a vicious circle, though,

because the whole issue of interest rates and money flowing in and out of the country and the level of the dollar is very much tied to what kind of economic base we have in the first place. In the short term there are different policies that can be taken to alleviate this. I think the whole idea of the Mulroney government is the pure idea of competitiveness and it does not really solve our problems.

On the other hand, if we do not build up these economic alternatives in terms of the future economy, then we will still be to some degree at the mercy of the international flow of money in and out of the country and we will not be able to adapt our interest rates or our dollar in the way that necessarily suits us as a country.

The Vice-Chair: Mr De Carlo, thank you very much for your presentation. Unfortunately, the time is up.

1510

CANADIAN ENVIRONMENTAL LAW ASSOCIATION

The Vice-Chair: Our next presentation is from the Canadian Environmental Law Association, Ken Makuch, counsel. Perhaps you would care to come forward. Before we begin, just a reminder: There is a half-hour time limit and whatever time you use for your verbal presentation will be subtracted from the time for questioning.

Mr Makuch: I would like to clarify the role I will be playing here today. I am an environmental lawyer who represents clients who are generally citizens' groups. That has been the Canadian Environmental Law Association's role for some 21 years now, so the gloss I will be putting on my remarks is specifically with regard to environmental concerns as they are addressed by the budget and in a peripheral way on the free trade agreement. My presentation will take about five minutes. I have a script I have prepared and will read to you. It should leave ample time for questions at the end.

The Canadian Environmental Law Association has worked on the side of environmental protection for approximately 21 years. Through that period we have witnessed many promises by governments at all levels to address public demands for greater action on environmental protection.

The long-awaited green plan turned out to be somewhat of a disappointment. This seems to be part of the federal government's agenda to dismantle its federal responsibilities on the environment and shift the burden to the provinces. In effect, it amounts to an abdication of fiscal responsibility for social wellbeing and environmental protection. The inevitable result has been greater pressure for spending by provincial governments—of course the Ontario government—at a point in the business cycle where it seems that it is most constrained in trying to do so. Unfortunately, there is little room for austerity, given the myriad of environmental problems we face as a nation. However, our latest government has made some humane choices that will pay off in the long run.

As to the budget itself, there are three issues. The first I will deal with is energy, the second, solid waste, and finally a few remarks on free trade—.

Ontario's industries continue to argue for cheap supplies of energy from Ontario Hydro megaprojects, and they suggest

they will cease to be competitive to the extent that does not happen. Of course, that will result in job losses. We are very concerned about that, but it would seem the production of energy is really an inherently polluting activity, especially nuclear energy. So we would like to see it go another way. It would appear that our arrogant misuse of resources has stolen economic security from future generations and left them a legacy of poisoned air, land and water.

We call for the more efficient use of energy resources. I believe that would benefit corporations as well, and it would reduce environmental strain. It also makes solid economic sense and I will explain why.

We use more energy per capita in this province and per unit of economic output than most areas on the planet. That includes nations with stronger economies that we are attempting to be competitive with. Therefore, the budget proposal that \$10 million be allocated for energy efficiency is an environmentally and economically sound approach.

The NDP's decision to halt further expansion of nuclear energy facilities also makes sound fiscal, as well as environmental, sense. The taxpayers will be saved millions of dollars, subsidies for reactors that have generally operated at only 60% of capacity. You would hardly call that efficient.

Nuclear energy is prohibitively expensive. It costs twice as much as energy generated from fossil fuels and up to 12 times as much as energy derived from efficiency improvements. At this point, nuclear advocates tend to suggest that more Darlington-sized reactors would reduce the risk of global warming, the impacts of which environmentalists like to prognosticate. But in tight budgetary times it would be fiscally irresponsible of the government to invest in new meganuclear generating stations. A dollar spent on efficiency is seven times more effective in curbing CO₂ emissions, which are the major cause of global warming. For that reason, those moneys should not be spent on nuclear power.

As well, one can only imagine how large government expenditures would be once the bills for the secondary costs of nuclear energy production came due. Consider the dollar values associated with the long-term expenses of health care for uranium miners and reactor employees, as well as citizens affected by radon gas exposure, the cleanup of sites polluted by radioactive mine tailings, the costs of waste disposal and, finally, dismantling and capping obsolete facilities.

On the issue of solid waste I have only a few remarks. We support many of the initiatives taken by the government in the area of waste reduction and management. I have been very critical of a few endeavours Mrs Grier has undertaken lately to the extent that they affect public process, so my biases are not completely with the NDP. Landfills and incineration both result in damaging impacts on the environment. Waste must be minimized through the 3Rs—reduction, reuse and recycling. The proposed Ontario waste reduction act will also go some distance in dealing with solid waste measures and we hope it is a progressive approach to garbage.

In the budget, the government announced it would be doubling its financial contribution to municipal 3R programs. As well, \$28 million is being set aside for new and

expanded blue box and composting programs. These areas that should not suffer from austerity. Commitment to 3Rs should be incorporated into industrial and economic plans and that is already being done. My experience on national packaging protocol indicates that industry is very willing to get involved in these measures because ultimately they are cost saving. That is what 3Rs is all about: making garbage disappear, and the cost associated with infrastructure of garbage disposal also disappears.

Now a word on free trade and then I will wrap it up. Federal government policies have played a large role in limiting what the Ontario government can do with respect to the recession. Whether they will play out to some economic prosperity is still left to the winds in some ways. It seems that the goods and services tax and the free trade agreement have been responsible for keeping us in a recession while the US has started to climb out. We support a critical analysis of the free trade agreement but we do not necessarily believe in abrogation of the trade agreement in principle; it needs some modifications.

We have monitored some of the subtle and not-so-subtle effects, and through my participation with federal government people the assurances are being given that environmental costs can be dealt with if they become subject to the negotiations of the North American free trade agreement. That is what we are hoping.

It seems the free trade agreement also poses a serious challenge to national sovereignty over natural resource management and environmental protection. This is something not discussed very often. It would appear that projects, for instance James Bay II and the Mackenzie Valley gas pipeline, can cause significant environmental damage. The necessity of serving export markets is not something that would object to in principle because it means money and jobs, but I submit there are processes that could take place that would allow for a more environmentally safe approach to all of this.

Similarly, there is a problem with harmonization. Generally what happens in harmonization talks or discussions during free trade agreements is you have harmonization downward of environmental regulation. That has happened under GATT with an institute called Codex, which is really seeking lower health and safety standards that everyone in the international community can live by.

The effect is that countries with higher standards, like Canada, are really being induced to adopt lower standards, and that is something our citizens simply should not be putting up with.

One example would be pesticides. Under the free trade agreement, the negotiations taking place suggest that we will probably be going down to a US standard. That raises obvious concerns because the US uses seven times as many pesticides as we do, and I would imagine most of those pesticides cannot meet our standards. That is where some tinkering would be required with respect to the free trade agreement.

In conclusion, the abovementioned concerns reflect overall support for the environmental initiatives undertaken by the Ontario government over the past nine months. We recognize that in recessionary periods it is

sponsible to demand massive expenditures on environmental protection and natural resource management. However, committee members should realize that when push comes to shove we advocate greater expenditures rather than fewer expenditures on the environment, even in recessionary times. Given the mandate of this committee, that is something I want to discuss in any detail. I give my speaking list out to other people.

That is essentially the substance of my presentation. I am willing to entertain questions, of course.

The Vice-Chair: We have approximately 15 minutes together, about five minutes per party. Unfortunately, I have lost my place. I believe we started over here last time. Okay, the third party.

Mr Stockwell: No questions.

Mr B. Ward: Just a quick comment from an environmental standpoint: Do you think our government perhaps is moving along in the right direction in the budget, but could be moving at a faster pace?

Mr Makuch: I think my expectation is that even after all the lobbying that environmentalists have done for various reforms, the budget is quite restrained in some of the measures we are calling for. I would cite specifically expenditures for improving enforcement activities within the Ministry of the Environment. From speaking with their officers, those people seem to be working night and day to get their jobs done, and still it is being left to non-governmental organizations like ours to take polluters to court.

I do not think anyone would object in principle to the idea that polluters should pay for environmental harm, but the real problem becomes one of enforcement. I would much rather be doing other things besides going to court and helping the MOE with those sorts of prosecutions. I would like to see funding in some areas that have not been dealt with.

Mr B. Ward: There has been criticism by some groups or organizations about government spending during tough times, that it should be cutting back, etc. How would you respond to that criticism in your request that you think additional funds should be added to the Environment ministry.

Mr Makuch: I think the criticism from the business community that deficits definitely are a negative inducement to investment is valid. Nevertheless, it would appear that Ontario has decided it wants to take a lead role in environmental protection measures and in developing strong environmental policies within the business community. That is the way the world is going.

The United States is adopting a similar tack and my perception is that in international trade agreements some room will be made for environmental measures in the future. So to the extent that Canadian businesses are encouraged to comply with stiffer environmental regulations, they will have a stronger competitive advantage internationally. It will mean our goods will not be the subject of trade restrictions caused by a poor environmental process in industrial environmental processes.

1520

Ms M. Ward: I would like to take a slightly different approach—rather than the regulatory and penalties and so on, more of a positive—and ask you to comment on what you might see as opportunities for new product development and new technologies in the environmental area, whether you see any of that going on, and where there are new industries or where there is an opportunity for new industries springing up to develop new processes for the protection of the environment. Basically, is there an opportunity there for new businesses in the environmental field? What is there now and what do you think there could be? How might government contribute to that?

Mr Makuch: I suppose there are three areas I can think of right away in which Canadians can take a lead role.

In the first place, citizens seem to be very interested in programs like blue box programs. What that means ultimately is that if we are involved in our disposal processes to the extent that we are making them disappear, industries themselves will take on that mantle and will be encouraged to be more environmentally sound in their practices. If those programs were introduced in the industrial area and came out of that enthusiasm the public has, then I suppose the positive impact is that we would cut down on a number of the normal costs associated with industrial or commercial activities.

In terms of offering opportunities for new industries, it would seem to me that in the area of recycling there are a number of industries developing and coming on side as a result of some of the measures being taken by the Ontario government. It would seem that a lot of garbage that actually goes into our disposal sites can be recycled and used. Industries with creative impetus can use those materials as a way of developing all kinds of new products, certainly in the area of rubber products; witness the number of tires being disposed of daily. All that new creative energy can certainly be put into developing our recycling industries, and the number of uses that come from disposable products like tires is quite incredible.

There is an expansion area there that can take place and is already taking place. Next to that, the number of environmental consultants, environmental lawyers and people who are becoming experts on the environment is increasing all the time. That would seem to me to generate a lot of money within the economy. I think as well that a number of US and European firms are starting to turn to Canadians for the wisdom we are developing and the programs we are using.

Those are all areas I think can contribute to our economic productivity in the province.

Mr Hansen: I know we are talking about municipal taxes and you really have not hit on it, in a sense, on the recycling. Recycling is great, but it costs money. What municipalities are complaining about is the cost of recycling. We are looking at reducing the amount of recycling; in other words, something you reuse again in that particular area.

I notice you mention nuclear conservation. If you conserve \$1, it actually returns \$7. I sort of missed it; I was leaving the chair. I am looking at cost savings. In other

words, for industry that comes to Ontario, if we are in a conservation mode then that costs less for business to operate here in Ontario because of the cost of hydro. Could you go into that? It was just a short sentence there.

Mr Makuch: I think the basic idea is that as consumers, not industrial consumers but residents, we are energy pigs. In the industrial sector, in the commercial sector, for much too long it seems as though the costs of producing energy have really been subsidized by taxpayers themselves. In other words, we are even charging energy prices that are lower than the actual costs of producing energy. That is something Hydro is trying to rectify.

But the basic idea I am getting at, and the one that you are referring to, is that if we can become a world leader in terms of energy-efficiency initiatives, and we are heading that way, then we will be able to show industries that want to locate in Ontario how they can achieve production levels that are the same as they might be elsewhere, but it will be cheaper because we will have the energy conservation infrastructure in place that allows their energy costs per unit of production to go down.

Mr Kwinter: Mr Makuch, I would like to ask you about the feature of the budget that dealt with the environment as it relates to automobiles. When the Treasurer first made his announcement on what he claimed was an environmental measure, he imposed the gas guzzler tax that was supposed to inhibit the purchase of cars that had emissions over a certain level. There was a feeling among environmentalists that if they had instituted a program to get rid of automobiles that were over 10 years old, they would get rid of 50% of the problem.

As a result of representations that were made to him by the industry and by the head of the auto workers' union, they rescinded that tax and have now applied it to virtually all cars. Of over 200 automobiles, I think there are less than 10 where, without getting a tax, you give a \$100 credit if you buy that car. Do you feel there is going to be any impact on the environment as a result of that measure?

Mr Makuch: This certainly is not my area. I guess I could make a few general comments and then ask you to clarify the end part of your concern. It would seem to me that the way of automobile industries and the way of economies based on automobiles is quickly passing us by, but I am not one of those environmentalists who would suggest we should get rid of all our cars and develop mass transit systems as the only means of getting around in society. We must recognize the reality that a lot of people depend on the production and use of automobiles for a living.

Within larger municipalities like Toronto there are obvious problems created by automobile congestion. Some measures should be taken to reduce the amount that we use cars. I think that can be accomplished by measures other than taxation, although it seems that taxation works in a very direct fashion to inhibit the use of automobiles. My position on the use of cars generally is that cars do contribute to global warming. That is creating a massive problem in terms of climate, perhaps not for our generation but certainly for our children and their children. So some measures have to be taken in that area.

It would seem to me, though, that aside from taxation there may be other measures as a way of dealing with problems of global warming. The earlier measure in which very large automobiles are being taxed, or automobiles which use a disproportionate amount of fuels are being taxed, seems to be a wise measure. As to whether or not one wants to do that with subcompacts, if that is what you are suggesting, I have a little bit of trouble with that idea.

1530

Mr Kwinter: If I can just clarify it for a minute, if you buy a Bentley Turbo at \$220,000 and you have to pay a tax of \$4,000—

Mr Stockwell: It is \$7,000.

Mr Kwinter: All right, \$7,000. I think the person who is going to buy a Bentley Turbo is not necessarily going to be deterred by the fact that instead of paying \$220,000 he has to pay \$227,000. He will go out and buy it. He will gripe because he is paying what he considers to be a ridiculous tax, but he will buy it.

On the other hand, to tax virtually every car in Ontario at a minimum of \$75—as I say, with very few exceptions every car has at least a \$75 tax on it. What is the purpose of that \$75? It cannot be an environmental tax, because someone is not going to say: "I'm not going to buy that car. I'm going to buy another car." You are not going to stop everybody in the world driving these little cars. The point I am trying to get at is that even though this tax is being sold as an environmental tax, it has nothing to do with the environment. I was just wondering if you had any ideas of a more effective way of dealing with the problem.

Mr Makuch: Again, I am not going to try to second-guess people who are experts in the area. On your first point, it seems to me that perhaps the cars that are the most expensive should be taxed the highest simply because the people who can buy the most expensive cars are the ones who are least hurt by that form of taxation.

Your second suggestion seems to indicate that if it is only a \$75 tax, then it is not going to do much good anyway, so perhaps you are suggesting it should be a \$300 tax or something. I do not believe that is what you would suggest for a moment. But the idea that it should be the same for every type of vehicle regardless of the kind of efficiency that is packed into its design does not seem to me to make sense on the face of it. I am certain there are people within the NDP who could explain better why this policy is being invoked.

Mr Kwinter: The point I was really trying to make was that I think they are kidding the troops. If you want to raise some extra revenue, just say: "We're putting an extra \$300 on every car," a minimum of \$75 on virtually every car. Do not tie it into the environment when it has nothing to do with the environment.

Mr Makuch: If I could just respond very quickly, I think it has to be understood that by taxing vehicles and calling it an environmental tax, you are calling attention to the fact that vehicle usage does cause negative impacts upon the environment. To the extent that is happening, it is an environmental tax and it is packaged and sold that way.

I suppose my second comment is that if McDonald's is producing quasi-effective measures and calling them green measures, then if we are not going to prohibit McDonald's from calling them green measures, we certainly should not be preventing our governments from calling them green measures.

CO-ALITION FOR THE SUPPORT OF THE SOUTHEAST ASIAN YOUTHS

The Vice-Chair: We will now move on to the next presentation, by the Co-Alition for the Support of the Southeast Asian Youths. David Chu is a counsellor and Tom Wong a student. Welcome to the finance and economic affairs committee and post-budget hearings on the budget, the hearings on the budget afterwards.

Just to let you know, you will have approximately a half-hour altogether. Whatever time you use for your verbal presentation will be subtracted from the time for questions, and the time left for questions will be equally divided between the three parties.

Mr Chu: First I would like to introduce myself. My name is David Chu and this is Tom Wong. We are both members of the Co-Alition for the Support of the Southeast Asian Youths. I am here also in my capacity as a youth employment counsellor for Metro Youth Job Corps. We are pleased to have the opportunity to present our views on the provincial budget. We believe the budget was a positive action during this period of time and support other organizations that back the budget, such as the Social Planning Council of Metropolitan Toronto.

This budget provides the indication that the present Ontario government is concerned about its citizens during these recessionary times. Funding is needed to assist in the alleviation of the short-term emergency situations of high unemployment, permanent loss of jobs and shortage of affordable housing. The budget provides some funds targeted towards job creation and retraining for laid-off workers, but I find that youths have been excluded from this budget. In these recessionary periods, it is extremely harmful to exclude this group. During times of recession, the job market becomes tight for these youths and there is more competition for the jobs.

The State of the Child in Ontario report provides documentation highlighting the stresses these youths face. Support structures have to be expanded to assist these youths to go as far as possible in the educational system. The strong correlation between high level of education, achievement and high income levels are understandable. Housing, social and family support and financial support are required in assisting youths to stay in school.

Youths who are no longer in the educational system require assistance as well. School dropouts and early leavers require assistance through the opportunity of participation in training and apprenticeship programs to provide skills for these youths to obtain productive work in an increasingly technological workplace.

My position as a Metro Youth Job Corps employment counsellor allows me to have contact with a disadvantaged consumer group. This group does not have a powerful, concerted voice. The view from the front lines is not pleasant.

I am quoting the latest unemployment figures published by Statistics Canada this spring. The employment rate for the 15- to 24-year-old group for males is 20.3% and translates to about 94,000 jobless. Add the unemployment figures for 15- to 24-year-old females and that is another 10.6%. The unemployment figures for this 15 to 24 age group would be 144,000 in Ontario. The actual unemployment may even be higher, as many of these youths would have long given up searching for a job.

The Toronto Star had a recent article entitled "Jobs in Centre of City Drop by 6,000." This just reinforces the plight of the youths who are in the Metro job corps program. These youths tell me they want to work, that they want a job, but there is just not enough work available to them that they have adequate knowledge and skills for.

There has been an indication from the federal government that as the major funder of our program, it would tighten up on its spending, that spending restraint was in order because there were tough economic times. Canadian Jobs Strategy was cut \$100 million and job training programs, which include youth training programs, are threatened. The provincial government is required to offset the federal pullout.

The provincial government should be applauded for its efforts; \$32.5 million for training and assistance in finding work for laid-off workers is a positive step; \$32 million for adult literacy programs, with an emphasis on training in the workplace, is a good investment. New legislation to ensure fairness in the workplace for aboriginal people, persons with disabilities and members of visible minorities was a step in the proper direction, as well as a new system for advocacy to protect the rights of vulnerable adults. These are encouraging ventures to assist a depressed population.

New education and training partnerships must be created for the youths, because in the planning of policies to reduce disparity, the youth population is probably the most needy. Please ensure that the cost of economic adjustment is not borne by those least able to shoulder the burden, this province's silent youth population.

Mr Wong: CASSY is an umbrella organization that is composed of agencies or individuals who service or who are interested in working with the Southeast Asian youth population. We believe our role is to assist Southeast Asian youths, particularly the Cambodians, the Chinese, the Laotians and the Vietnamese, to access existing services and to advocate the creation of new services if the required service is unavailable.

CASSY members have produced a report entitled *The Unattached Youth: Lost Between Two Cultures, A Study of the Southeast Asian Immigrant Youth in Crisis*. The literature is clearly in agreement that the greatest threat to identity is not the feeling of belonging to two cultures, but of belonging to none. The Southeast Asian youths at risk lost between two cultures is becoming more and more evident. They are referred to as unattached youths. These youths are susceptible to a number of key problem areas: family relations conflicts in terms of life decisions and role reversal, problems in school, problems in peer relations and youth gang criminal activity. Intervention with this population requires that the traditional methods be culturally sensitive,

while practices may need to be transformed to be culturally relevant.

It is crucial to understand some of the cultural backgrounds and systemic obstacles that Southeast Asian youths face in Canadian society. Southeast Asian youths face cultural and linguistic barriers in seeking services. The documents, *Family Services for All*, *A Summary of Actions: Access to Health and Social Services for Members of Diverse Cultural and Racial Groups in Metropolitan Toronto* and the *Multicultural Resource Guide: Mental Health and Related Services*, establish the problems the ethnocultural communities have in obtaining services from mainstream social service agencies. The mandate of the mainstream agencies is to service everyone, but they fail as they only service one ethnocultural group, those who are Anglo-Saxon. That is from *Family Services for All* and *A Summary of Actions*.

There are some excellent ethno-specific social service agencies. Unfortunately, the ethno-specific agencies are underfunded and must spend precious staff time resources to work on project proposals due to the lack of permanent operations funding. The problem of overutilization by the minority population means that there are waiting lists and that clients suffer.

We have a list of recommendations. Perhaps Dave could read that.

1540

Mr Chu: We would like to have greater co-operation among the school boards to provide more English-as-a-second-language programs for youths and their families; greater emphasis on activities that promote more interaction with the police force and the youth population; co-operation between different levels of government and the private sector to create more employment opportunities for disadvantaged youths; recognition of the need to involve youths themselves in the formation of new training programs and policies; training programs to assist service providers to be more culturally sensitive to the fast-growing ethnically diverse population; more accessible, culturally sensitive and linguistic services for the ethno-specific and age-specific populations. These are our recommendations.

The Vice-Chair: Thank you very much. We have approximately 15 minutes altogether for questions. I believe we are starting with the governing party this time.

Ms M. Ward: Thank you for your presentation. I do not know if this is really a question or not, just tying your recommendations back to something you said. In your comments you said the mainstream agencies service only Anglo-Saxons. Maybe you can expand a little bit on that and give us some examples or something. Also, in your recommendations you are calling for training programs for service providers.

I guess the reason I picked up on that is that in one particular part of my riding I would say there are people from almost every country in the world, and I know it is one of the problems the agencies have. There is a neighbourhood service; Flemingdon Neighbourhood Services happens to be there. They happen to be next door to me right at my office. I know one of the problems they have is getting

translators and so on, and they do worry about whether they are reaching the people who need their services. They certainly try to provide service to people of all cultural backgrounds, but I know they do recognize the problem.

Do you feel that is really a widespread problem, that such agencies are not reaching all cultures and linguistic groups? Where do you see the training programs being provided and under what auspices?

Mr Chu: Maybe I can address the second part. We did not write what we were saying about the specific agencies not providing services. It is in a report.

Ms M. Ward: No, I did not mean to say, "This agency does not do it." I did not mean at that level.

Mr Chu: Right.

Ms M. Ward: How serious do you see that part of the problem being?

Mr Chu: Just from my experience at a large community centre that services the east end of Toronto, we have a lot of oriental clients, but we do not have the different dialects needed to satisfy all our different populations. Many times a person with a specific dialect is not reflected in the demographics or is not highly visible. It comes in who we cannot serve. We have no way of assessing what we could do with that client. It is just a problem.

Ms M. Ward: Would it be possible to have a floating pool of translators or people who could communicate with different languages? How do you see that solution to it, because obviously you cannot have someone in each agency who can speak each language.

Mr Chu: No, we were asking for more ESL, and we were also saying that a lot of the mainstream agencies do not provide the service and we do not want to cut that service. It is just that they should be the ones who train the people with the language skills, and then in that way we could maybe have this pool, but as such we do not have this now.

Mr Wong: Perhaps I could sort of tackle the first part of your question. I will provide an example. For instance, in some cultures they are not very straightforward in their problems. For instance, a woman goes to see a doctor and she says she cannot sleep at night. She feels she has evil spirits. Naturally, a medical doctor who is trained in the western method of medicine is going to wonder, "Perhaps we should do a psychological profile on this woman." Now, the reason why this woman said it was a spirit thing was because in our culture they are not very straightforward with their problems. She could be having problems with her husband, marital problems, but marital problems are a shameful thing. You do not bring it outside your family. A doctor who is trained just in western medicine probably would not catch on to that and would think that perhaps this woman should be psychologically assessed.

Ms M. Ward: So it is cultural sensitivity training that is needed for the people at the agencies also.

Mr Wong: Certainly training and linguistic skills are required, both in combination.

Mrs Sullivan: I would like to start with some questions. You indicated that you were funded by the federal

government. Can you tell us what the level of funding from the feds has been?

Mr Chu: It has been 83%.

Mrs Sullivan: Where does your other funding come from?

Mr Chu: Metro.

Mrs Sullivan: So you have not received funding at all from the provincial government.

Mr Chu: No.

Mrs Sullivan: How many clients do you serve?

Mr Chu: My personal case load this week is about 60.

Mrs Sullivan: How many would the agency serve?

Mr Chu: Our unemployment unit, with the summer programs on now, is probably double, almost 150.

Mrs Sullivan: Did you say 150?

Mr Chu: This month.

Mrs Sullivan: Okay, 150 young people; good. How do you work with existing institutions, whether they are social service agencies or places like community colleges, in terms of introducing students into post-secondary education, or with the high schools? Do you have any kind of relationship with them?

Mr Chu: Yes. That is considered a successful bridging. Anybody we can put back into the education system we are encouraging. There is just a long period of time where a lot of these people have left school and have no intention of coming back or they have been out so long they have problems catching up. There are also problems with language and literacy that make it really hard for them to catch up.

Mrs Sullivan: I was interested in your support for initiatives in the budget in relation to laid-off workers and so on. As I read the budget and see the impact of that assistance, it is really only for those people who have already been entered into apprenticeship programs. One of the areas that we see as being difficult is that there are no new positions opening up for apprentices, nor is there any initiative to attract new apprenticeship positions. Are you seeing the same thing?

Mr Chu: Yes. We are finding private businesses just do not have the time to train anybody without the skills. The skill levels these people entering at the apprentice level have just do not have any advantages to the business that is offering an apprenticeship.

Mrs Sullivan: The other thing I was kind of surprised about related to your comments on the injection of funding into the economy for job creation. Do you understand that funding injection was all for very short-term jobs?

Mr Chu: Yes.

Mrs Sullivan: Certainly through that period of time we have not seen a decrease in youth unemployment, and those jobs which were funded were largely in the construction sector, whether it is water and sewer or roadbuilding, in areas that do not traditionally attract youth. I guess what I am asking you is, where do you see the initiatives that are particularly important to you in this budget that you have indicated you support?

Mr Chu: I am not saying that I see they have actual moneys this year. I am seeing that there is a commitment that they support the underprivileged and people in need at this time. I have also seen that they have a commitment to do something in the future for the disadvantaged and I am hoping they keep in mind that the youth population does not have a strong voice. One of the reasons I am here today before this committee is to voice that concern. This is what I deal with daily. They tell me they want to work. They just have no way of doing this.

1550

Mr Phillips: I will follow up a little bit on that. Before the budget came out, and the Hansard will show I raised the issue of youth unemployment in the House, I had been terribly worried about it. I pored through the budget. There is not one mention in the budget of youth unemployment. Youth unemployment right now has doubled. It is up to 20% and for me is a major concern, because if young people do not see an opportunity for hope and a future, we run the risk of losing a generation.

You people are very close to this thing. In what way do you see jobs being created for young people as a result of this budget, and is it beginning to have an impact now on the clients you are dealing with?

Mr Chu: In some of our job training programs it is just making our clients a little more competitive. I mean, there is not a lot of full-time employment, but there is a rise in part-time. That is encouraging.

Mr Phillips: There is a what?

Mr Chu: There is a rise in the part-time employment figures. These people are now getting at least some hours on weekends, which they were never able to get before, maybe because of some of the laid-off positions and downsizing.

Mr Phillips: In terms of the future, the next two to three years, because the budget is kind of a longer-term document too, did you see things in there that will create jobs?

Mr Chu: Yes. I saw the commitment that they did want to put some effort into creating new education and training partnerships and I am encouraging that these partnerships should be with the community and the private sector.

Mr Wong: I would like to add a quick comment. Yes, I totally agree with you that youth unemployment has increased over the summer. I know this from firsthand experience. A lot of youths are desperate for any jobs out there and unfortunately there are none. I think the problem is more highlighted for the minority youths, because they face a bigger restraint in that they have cultural and linguistic barriers. There are some employers who would not want to hire minority youths, and that has been documented in many reports.

Mr Stockwell: I do not understand what your point is. We all know there is youth unemployment and we know it is high. What is this budget doing to alleviate the situation and what do you recommend we do to alleviate the situation? What is the point in retraining somebody if no job exists?

Mr Chu: It does not exist at this time, but we are hoping that somewhere, in some way the economy will

pick up so there will be job openings. A lot of these people we are talking about, the youths, have no job experience whatsoever. They do not have a place to stay. They are telling us they need education and affordable housing in order to keep a job.

Mr Stockwell: But what is the point? They are not getting a job anyway. There are no jobs out there, you are telling me.

Mr Chu: We are making a job for them.

Mr Stockwell: What is that?

Mr Chu: In getting a job, in training themselves to be—

Mr Stockwell: That is noble and I like the term. Everyone always uses that term and it is a lovely term, except it does not put food on the table.

Mr Chu: It works.

Mr Stockwell: You have to get a job.

Mr Chu: Yes, and it is a job that can do it.

Mr Stockwell: It is not just the recession. The plant closures you are talking about are permanent plant closures. They are not layoffs any more. You think maybe we are losing a lot of jobs because of overtaxation and uncompetitiveness?

Mr Christopherson: And maybe the recession?

Mr Stockwell: I said the recession up front. Yes, maybe the recession, but maybe we are overtaxed. Maybe businesses do not want to continue. Maybe we are not competitive. Has that ever crossed your mind?

Mr Wong: I disagree. Although they may be trained right now in positions that will not be offered as employment after the training program is over, at least it gives the youths something to do that will help with their self-esteem. Right now a lot of these youths feel they are losers, that nobody is willing to help them. Through a training program like that, it helps boost their self-esteem. It helps them interact with other youths.

Mr Stockwell: I am not arguing that point. That is good, that is noble and it is a good thing to do. But at the end of the day they finish these retraining programs and there are no jobs available. What was the point?

Mr Wong: Certainly some training programs have job-searching skills and that would help them afterwards.

Mr B. Ward: It gives them a chance.

Mr Stockwell: I understand all this stuff. I understand it gives them a chance, job-searching skills. The question I am asking you is, where in this budget to do you see any real job creation? Where have you seen any job creation happening in the last 10 months? You came in to endorse this budget. Show me in this budget where we see some job creation.

Mr Chu: I do not see money specifically laid out for new jobs, but what I see is a commitment that they want to at least listen. What I am saying right now is we have to do something for them. I know there are not a lot of jobs. I feel for the clients I have now. They tell me this daily. But it is better for them to learn and at least get some kind of job-readiness training to be prepared for the actual event that there is a job.

Mr Stockwell: Okay, I agree with that. I agree with what you are doing. I guess I have got a bone to pick with the government.

You service 150 kids right now. What is your budget to service 150 kids?

Mr Chu: Our budget for kids? We pay them \$5.40 an hour.

Mr Stockwell: No, what is the budget that you receive from government?

Mr Chu: I am not sure on that. All I know is the breakdown of it.

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

The Vice-Chair: Our next presentation is from the Ontario Confederation of University Faculty Association. Bill Graham, president, and Marion Perrin, executive director. We will begin the presentation. Welcome. We have approximately half an hour for the presentation. Whatever time you use for the verbal portion will be subtracted from the time for questioning, which will be divided equally among the three parties.

Dr Graham: Thank you for inviting us to appear before you. With me is Marion Perrin, who is the executive director of OCUFA, and Heather Webster, who is on our staff.

In May 1991, OCUFA received an invitation from the Conservative Party leader Mike Harris, urging us to join him in a "fight." He exhorted us to "tell the Premier what (we) think of his \$53-billion budget by making a presentation to the finance and economic affairs committee of the Legislature." OCUFA is, of course, no stranger to the committee. We make yearly presentations as part of the pre-budget consultation process.

In recent years our submissions have lamented the declining government commitment to higher education and have urged increased financial support to the provincial universities. We have cited surveys conducted by the Ontario Institute for Studies in Education which show public support for increased education spending. In one study, almost half of those who supported increased funding said they would do so even if it meant higher taxes. We have urged the government to consider the imposition of a minimum tax on profitable corporations and have suggested that revenue thus generated be spent in areas such as education and health.

It would be highly inconsistent, then, for us to be in concurrence with Mr Harris's view that the government ought to cut taxes and reduce government spending. We believe the NDP government had no choice but to respond as it did to the recession and to the widespread misery it has produced. The fact cannot be ignored that the economy of Ontario is in desperate straits largely because of the ruinous policies of the federal government. The enmity of the business community toward the Ontario budget is thus, we believe, misplaced.

It is encouraging, however, that there are voices of reason within the business sector. We note that Confederation Board of Canada economist James Frank has called the budget a "confidence-builder" which will help lead the province out of recession. Economic consultant Michael

Cracken also approves of the budget, calling it "a move in the right direction," and corporate consultant Ted Ball has said that critics of the budget have not been completely fair.

Ball pointed out to a group of executives recently that \$3 billion of the deficit is directly related to the depth of recession—reduced revenues, cuts in federal transfer payments, increased welfare costs due to unemployment and so forth—while \$3.2 billion represents the cost of maintaining existing services. Only \$1.5 billion is being spent on new services. We agree with Mr Ball's conclusion that there is nothing wrong with deficits if they represent investment in "initiatives which will enhance our future ability to create wealth."

OCUFA applauds the government's attempt to assist victims of recession and to set the stage for economic recovery. We are particularly pleased that the government has made equity and fairness a priority in its approach to government. We have written to congratulate Mr Rae and the Minister of Colleges and Universities, Richard Allen, on initiatives they have taken with respect to native education, improved campus safety and violence against women.

When the government first made its announcement with respect to funding for the province's universities, OCUFA was disappointed that the funds provided fell short of the very substantial amounts needed to begin to make up for past shortfalls. We recognize that the NDP has been more generous than other provincial governments and also that the government's ability to do more is seriously impaired by the decision of the federal government to freeze transfer payments to the provinces. This policy will cost Ontario's universities and colleges a total of \$1.4 billion by the end of 1995. It is crucially important for the government of Ontario to make major financial commitments to post-secondary education, and at the same time to fight federal cutbacks in transfer payments.

It is astonishing that the federal government is pursuing such policies while at the same time saying that it acknowledges the important role higher education has to play in enabling Canada to compete more effectively in global markets. Harvard economist Robert Reich has explained eloquently the significance of economic globalization in his highly acclaimed book *The Work of Nations*. Reich argues that as money, technology, ideas and jobs flow ever more freely across national borders, all that will remain rooted within national boundaries are the people who comprise a nation. It is the knowledge and skills of its citizens which will be the nation's primary assets and a nation that does not invest in its people will not prosper.

Reich challenges conservative economic theories which favour lowering taxes for the wealthy, making cuts in public spending and reducing budget deficits in order to create a pool of national capital for investment. He also challenges the widely held view that national economic activity is divided between the public and private sector and that the public sector spends the money while the private sector earns it and invests it. Reich believes that the increasingly unimpeded movement of capital worldwide means that "reductions in public spending and tax cuts for the wealthy...investors are coming to have little direct bearing

on how much private capital is invested in the nation's factories, equipment, and research and development."

On the other hand, he states: "There is...a growing connection between the amount and the kind of investments that the public sector undertakes and the capacity of the nation to attract worldwide capital. Herein lies the new logic of economic nationalism." Reich argues that the knowledge and skills of a nation's working people and the quality of its infrastructure "are what makes it unique, and uniquely attractive, in the world economy. Investments in these relatively immobile factors of worldwide production are what chiefly distinguish one nation from another; money, by contrast, moves easily around the world."

"A workforce that is knowledgeable and skilled at doing complex things, and which can easily transport the fruits of its labours into the global economy, will entice global money to it." As people's knowledge and skills increase and experience accumulates, "a nation's citizens add greater and greater value to the world economy—commanding ever-higher compensation and improving their standard of living." Without proper knowledge, skills and infrastructure, however, "the relationship is likely to be the reverse—a vicious cycle in which global investment can be lured only by relatively low wages and low taxes. These enticements in turn make it more difficult for the nation to finance adequate education and infrastructure in the future."

It can no longer be disputed that to succeed in the knowledge-based global economy, Canada needs a better-educated population. The federal government's recently released discussion paper *Learning Well...Living Well* recommends that by the year 2000 Canada double the number of its post-secondary graduates. It is simply not possible for Canadian universities to further increase their capacity without a significant infusion of funds. The education of Canada's young, and the further education and retraining of those already in the workforce, is taking longer and costing more.

At present, 22% of the jobs require 17 years of education and training, but it has been estimated that by the end of the decade 50% of jobs will require this amount of preparation. The jobs of the future, then, will require a higher level of knowledge and skills, knowledge and skills which will become outdated approximately every five years.

Failure to make the kind of investment in education and infrastructure that has been advocated by Reich and others will result not only in economic disaster, but in social turmoil as well. Reich further notes that American society is becoming less equal and less just, the rich getting richer and the poor getting poorer. The widening gap in American incomes is directly related to levels of education. In 1980 male college graduates in the United States earned 80% more than high school graduates; by 1990 the gap had nearly doubled.

Particularly disturbing in Reich's work is his description of an increasingly polarized American society, where the "symbolic analysts"—that is, those who enjoy a high standard of living because they are in jobs which add high value to the world economy—are steadily "disengaging" or "seceding" from the rest of American society. These people are increasingly choosing to live in suburban or exurban

communities where they enjoy vastly better schools, housing, health care, recreational facilities, municipal services and safety and security than do most Americans. Reich notes that the same phenomenon exists with respect to wealthier neighbourhoods within large cities:

"Several (American) cities have authorized property owners in certain upscale districts to assess one another a special surtax for amenities unavailable to other residents, like extra garbage collection, street cleaning and security. One such New York district...raised \$4.7 million from its members in 1989, of which \$1 million underwrote a private police force of uniformed guards and plainclothes investigators. The new community of like incomes, with the power to tax and the power to enforce the law, is thus becoming a separate city within the city."

OCUFA does not believe this is the kind of society that is appropriate to Ontario, or to Canada. We urge our leaders at both levels of government to abandon the type of thinking which favours greater concessions for the wealthy while cutting public services. It is vital that we think instead of making the kind of educational and infrastructural investments which will improve our people's standard of living by enhancing the value of what they contribute to the world economy.

Along with more public investment, Canada and Ontario need to consider the question of tax reform. OCUFA urges the federal government to introduce a tax system that is more fair and responsible. This might include initiatives such as restoring progressive income tax rates, increasing tax rates and closing tax loopholes for wealthy individuals and corporations, abolishing the GST and introducing a tax on net wealth and transfer of wealth. We also urge that the federal government guarantee in the Constitution the provision of shared funding to the provinces for health, education and social assistance as part of a Canadian social contract.

On the provincial level, OCUFA looks forward to the findings of the Fair Tax Commission. We repeat our call for the creation of a minimum tax on profitable corporations, with a portion of the revenue thus generated being allocated to universities in the province. It is only fitting, since corporations are major beneficiaries of university education and research. We note that while the business community is prone to fly into a frenzy at the suggestion of higher taxes, tax rates are seldom a consideration when businesses make location decisions. The cost of property, the availability of skilled labour, the ease of transportation and the supply of energy are cited by business as more important variables.

In conclusion, OCUFA reiterates its approval of the general direction of the initiatives announced in the Ontario budget and urges the government to resist conservative cries to reduce the deficit at the expense of public expenditure. In fact, we believe that the government must do much more in the way of investing in education, job training, infrastructural development and social services. We urge the business community and the conservative thinkers in government to abandon the vestigial thinking which is the true source of our uncompetitiveness and join with more progressive thinkers in making Ontario a place of social justice and sustained economic prosperity.

In other words, we want to point out that there is a direct correlation between the level of education, knowledge and skills and the people's wealth and prosperity, that you cannot have a wealthy and prosperous society without having a well-educated society in our day and age. Education is the key to economic and social wellbeing.

1610

The Vice-Chair: Thank you very much for your presentation. We have approximately six minutes per party for questioning. We will be starting with the opposition.

Mrs Sullivan: I was interested in the highly articulated brief from your association relating to the budget. You mentioned that this morning we heard from the University of Toronto, and yesterday from York University, about their responses to the budget. Much of their feeling was comparable to yours, although in both cases the universities themselves were more dramatic.

In the case of the University of Toronto, it was not the university itself that was represented; it was the faculty association, the student council, the administrative associations and so on that were involved in their presentation. It was a universal presentation. They commented directly and highly negatively, relating to the fact that there had been no more than the transfers to the universities at the rate of inflation, plus minimum capital transfers for such things as asbestos removal and so on. In other words, there were no initiatives to meet what everyone in the universities has described as underfunding of more than \$400 million on an annual basis, to base. You have not mentioned that at all in your brief and I am quite taken aback by that.

Dr Graham: I do not believe we have not mentioned that. We have appealed to the government to put more money into education, including post-secondary education. It is certainly true that provincial expenditures in 1991 have grown faster than grants to universities. I think that universities received about 8% of revenues this year, if you take the direct grants plus the employment equity subsidies, whereas the total budgetary expenditures were up by about 13.4%. We do not dispute that whatsoever.

What we certainly look forward to and expect this government to be sensitive to is the increasing need for highly educated people. It is no longer the case that a high school education can provide an adequate base for people earning jobs and producing wealth in our society. We continue to be, as we always have been, critical of the funding levels for the support of post-secondary education.

We do recognize, however, that there is more than one component to this problem. It is more than simply a question of the provincial government doing something. As you know, the federal government has been cutting back dramatically in the cash portions of the transfer payments, which has seriously affected the ability of all provincial governments across the country to support their post-secondary educational institutions. You will note that in one of our graphs, the total loss as a result of the freeze on transfer payments is, up until 1995, \$1.4 billion. That is a lot of money taken out of this province's ability to pay.

We want to stress that this government should do everything it can in concert with other provincial governments

that there are some changes made. These discussions are going up in September, apparently, in connection with the national unity debate. We expect to see our government on the table arguing vigorously for increased transfer payments, and then passing the results of those payments on to post-secondary institutions in Ontario.

Mrs Sullivan: You do not see a dichotomy in your quite effusive support for the budget and the fact that one of the needs of the universities were addressed in it?

Dr Graham: I would not say that none of the needs of the universities were addressed in it. There were some very good initiatives undertaken by the Ministry of Colleges and Universities. We want to applaud them for their initiatives regarding native education and regarding what they have done for women's safety. We think more has to be done. We certainly are not applauding the level of funding. We are encouraging this government to spend more on higher education. We do not think it is adequate, of course.

Mr Phillips: What we are finding in these hearings is kind of two camps, as you might expect. One group, like myself, comes in and says, "Hey, the budget is pretty good," and then the other camp comes in and says—the challenge I think we face is that we will not know for a while. We will not know for maybe a year or two years. It is a bit like forecasting the weather a year from now, storms or sunny weather.

I appreciate what your association is saying, that you like the budget. The concern other groups have is that there are two sides to the budget. There is the spending side, and then there is the revenue side, how to raise the resources to do all the things that we want to do. I think the troublesome part of the budget for many people is a belief that the federal government is bankrupt. If you think you are going to get a lot more money out of them, forget it. Realistically, they do not have money. You are not going to get much more money out of the federal government.

I guess you are pretty much convinced that this budget is in the the long-term best interests of your group and will create the economic wellbeing in the province that will be able to fund the necessary investment. If a year from now we are back here sitting, as we probably will be, what will be your expectations about the economic climate in the province that this budget will create? I think the budget calls for 4% real growth next year and some substantial increases in taxes to do the things that it wants to do, but how does your group see the economic wellbeing next year?

Dr Graham: Of course, we are not crystal ball gazers any more than the government is. When you say that we applaud the budget, we do applaud the direction of the budget. We do not applaud everything in the budget. We do not support the levels that post-secondary education is receiving. We think post-secondary education should receive higher levels of funding than it has received. But we do support the overall direction that the budget is moving in; that is, using whatever moneys are available to create wealth.

We would hope that over another year's time there would be some results. I do not think we ought to go on a one-year scale on this. I think, certainly from what economists in our university sector have been saying, that it may

take longer than a year to climb out of this situation. Perhaps you have seen the paper that was written by a number of economists in the universities in Ontario to comment on the general direction of the budget.

Mr Phillips: I am not sure I have seen that.

Mrs Sullivan: Mel Watkins's group.

Dr Graham: I think you are going to see that it will take longer than a year to see a turnaround. Generally what we want to see is the Fair Tax Commission also going to work on our situation.

1620

Mr Sterling: I always find the presentation of statistics somewhat amusing in terms of how people take percentages of whatever and put them together, and that kind of thing. I wonder if you could provide for me and the committee the actual increases in university funding over the last five-year period; in other words, take 1984-85 as your base year and start from there, and provide the committee with an actual amount that you have received.

The other part I would be interested in knowing is how the enrolments have been increasing over that period of time, because I think there is a considerable part to be put forward by that.

I attended two universities for two different degrees, one in engineering and one in law, and now I have two kids in university. I sit here and say, would I rather have my kids taught in a classroom of 250 or 500 or whatever, or would I rather have them saddled with a long-term debt situation which they are going to have to face and pay up? Because I am going to come to the end of my working career in maybe 10 or 15 years.

Mr Christopherson: In three years.

Mr Sterling: Not three years. You guys should be worried about that. I have been elected five times, fellows.

Mr Phillips: Here is your insurance policy right here. You are here for a long time, Norm.

Mr Sterling: I guess what bothers me, and I think what bothers my kids, is, is there no plan to pay this off? As Mr Phillips says, you may complain that the federal people are not transferring money here, but there is a good reason for that. They have no more money. They are in a desperate financial situation. We in this province have increased our spending at an enormous rate over the last five years. We are supposed to be one of the richest provinces in this country, so what do you do if you are in their position? You have to throw it back on somebody else's shoulders. That is done. You have to face it. So what is the plan to pay this back? How are we going to pay it back?

Dr Graham: Pay which back?

Mr Sterling: They are planning \$9.7 billion for this year and then \$8 billion next year, then \$7 billion and \$7 billion, or whatever it is.

Dr Graham: Our argument is that education is one of the highest wealth-creating conditions any society can have. I think general studies will bear out that the better educated a society is, the higher its production of wealth and the higher its standard of living. You can look at this across Europe, across Asia, and see that the general standard

of living and the general wealth of a country have a direct relationship to the level of education in that country and to how seriously that particular country takes higher education and the training of its citizens and its workforce. These are the people who generate and create wealth and add to wealth in the global economy.

Mr Sterling: I do not know whether I might challenge you on that or not challenge you on that. I think there are a lot of other factors involved. The motivation of individuals is an important factor as well, regardless of the intellectual capability and the education a person has received. But what concerns me is that we have everybody coming in front of this group and saying, "Your investment"—in your children, for example—"is important because you will save money because of that." "Your investment in day care is important because you are going to save money on that." Our investment in preventive health measures is going to save us money, and your investment in higher education is going to save us money.

I listened to all those arguments when I was a minister in Mr Davis's government, and I have not seen the saving of money yet. I do not know whether our government, if we were still the government, would have saved any money, but somewhere along the line the buck has got to stop. There has to be a line drawn. When do we draw that line? You have a vested interest in your community and the people who are receiving public dollars. The majority or 100% or 80% of your money comes through this channel. But I do not understand how groups and universities—it is tough, but your professors are earning \$60,000 or \$80,000 or whatever it is they earn. There are a lot of people out there who are earning a heck of a lot less than that or who do not have jobs. How can you come at this time and say, "We ain't got enough"? Is there not some kind of burden upon those of us who do better to say; "I've got to tighten my belt. We're just going to have to spread out what we have a little thinner"? I do not understand that. Am I way off base?

Dr Graham: It would seem to me that you are because you are not thinking about how wealth is created in this society. Our argument is that wealth is created through the direct correlation between education and skills development of a people in that country, so we are not talking about a small sector of people who have been traditionally associated with universities. Universities have in the past been rather elitist institutions, educating the sons mostly and later the daughters of the middle or upper class or wealthier classes. In fact, universities and community colleges have to be much broader in their accessibility to a larger range of people. That is certainly the case.

We are talking about a situation in which, as I said, high school is no longer an adequate form of education for the creation of wealth in this country. You cannot have a highly developed society without having a pretty highly educated workforce. That is simply a fact of the kind of knowledge-based economy we are moving into at the end of the 20th and beginning of the 21st century. It seems to me that we simply have to have another look at education and say that higher education is not simply something to

add to the income of a few people, but something to add to the income of the entire citizenry and to raise the level of standard of living of the entire population.

Mr Christopherson: Thank you very much for your submission. I do not thank you just because you are speaking positively towards the budget, but because I think you have presented a fair, reasonable and balanced professional opinion.

I notice members opposite laughing and smiling at my comment, which just underscores what their approach has been with everyone who comes in and supports the budget. It is either that these people are economically foolish and do not understand because they cannot conceive of the higher concepts of the economy, or they have a vested interest in not coming in and doing the government's bidding. We have approached these hearings with a great deal of excitement at the opportunity to have a diversified representation of the province come in and explain why they think this budget makes an awful lot of sense and why running a deficit, which is no one's first choice, is the right thing to do. And why, quite frankly, this is a good budget for bad times.

What I would like to ask you ties into what Mr Sterling has talked about. I am pleased that he got into that area because that is the kind of thing I wanted to ask about, the idea of investment. The people from the University of Toronto made the same statement this morning, and I guess they could be charged with the same self-interest that you have been confronted with. But what I would like to ask you as professionals, are you aware of models of monitoring or evaluating, in concrete dollars, money that is invested in higher education and skills development and the resulting wealth generated at the end of the system?

I say that because government spending is different in the 1990s than it has been in the past. A lot of the deficit generated by the federal government, quite frankly—I am not being partisan—was to serve political needs because greased squeaky wheels. We do not have that luxury. Money that we spend has to give a return to the entire province, to the entire economy, or we are in deeper trouble than we are already in. Are those models available? Is there a standard model that is accepted that we could use as a government, and that other governments would use also, to show that money spent is actually money invested and here is the return at the end of the day?

Mr Graham: There are a number of studies, including Professor Reich's book which I recommend to you. You could perhaps come up with some other studies or models which we would be happy to pass on to you.

1630

Mr Christopherson: It is a valid question Mr Sterling raises; that is, just about everybody who comes in says this is an investment in the future. The reality is that we have to look at spending that way, but we all deserve some kind of evaluation that we agree on ahead of time to see whether or not we are getting that return or whether indeed it is just political expediency.

Dr Graham: Professor Reich's book is one that I recommend to you. It has been a highly acclaimed book. He is a professor of economics at Harvard University, a well-respected, by no means left-wing, Mel Watkins or whatever

onomist and nevertheless recommends what we have ted from his book.

Mr B. Ward: As we close off this first week of hear-, I cannot say I have not been surprised with the num- of groups coming in to give presentations both for and nst. We have received very diverse groups in support e budget, business organizations, social organizations, viduals, labour organizations. Perhaps you could tell us tle bit about OCUFA. I understand it is representative 2,000 members from the teaching, research and profes- al library staff throughout Ontario.

Mr Graham: That is right. We are a confederation of faculty associations in the 15 universities and other ocated institutions in Ontario. We represent on behalf he faculty associations and faculty members in our ario universities. We do not represent community col- e teaching staff, but we represent the professors and demic librarians, most of them, in Ontario. We repre- t them to the government and we are in constant con- with the Ministry of Colleges and Universities. We are sulted regularly by the ministry on matters relating to versities.

Mr B. Ward: Your organization feels our government n the right track.

Dr Graham: We believe the general direction of the lget is on the right track. As I emphasized before, we ainly want to see a continued and expanded commit- nt to post-secondary education in the upcoming budget. are quite afraid that there might be further cutbacks in e-secondary levels and we think that would be disastrous.

The Vice-Chair: Thank you very much for your pre- tation today. We just have a couple other points of busi- s to take care of before we adjourn. One of them is ething I wanted to bring forward. Unfortunately, I do eel I should do that sitting in the chair, so I am going ask Ms Ward to come forward to be Chair while we get his one point of business, and if there is any other I will ne back into the chair, if that is all right.

Mr Sutherland: The one thing is that I believe it was Tuesday I indicated that the leader of the third party had ggested he wanted to balance the budget. Mr Sterling k strong exception to that and used unparliamentary guage; he withdrew it. But realizing that Mr Sterling s been around here a long time and his memory is probably y good and sometimes my memory is not, I went back d I checked through all the Hansards to try and find ethod I could substantiate that from documentation. I guess ind of turns out that we were both right, Mr Sterling.

Mr Sterling: That worries me. Can I object? If I am the same boat as this guy, I am in trouble.

Mr Sutherland: On June 25, 1991, Mr Harris read o the record a petition. It was a petition by a resident of ilton, the one by the male nurse, and it had several ousand signatures. The petition indicated: "We will not erate any more tax increases. The proposed budget ould push the accumulated debt.... Ontario is already the ghest taxed jurisdiction...." Then we have the following ntences: "The taxpayers of Ontario want the provincial

government to know that we want a balanced budget now. We do not want increased spending. We do not want higher deficits." Then Mr Harris says, "I too have affixed my signature to this petition and I congratulate" the person who got this petition together.

Mr Sterling: Boy, are you reaching.

Mr Phillips: You are supposed to say you are sorry.

Mr Sutherland: No, what I am saying is that, affixing his name to the petition for a balanced budget plus his indications—

Mrs Sullivan: No, every member must sign his peti- tions.

Mr Sutherland: No, you can present it without affix- ing. At any rate, let me say that was the only reference I could find in the Hansard, so we will leave it. That is the record and I just wanted to have that put forward, as that is the record. We will let those people judge whether he di- rectly said it and whether he believes in that or not. I just wanted that correction brought forward at this time.

Mr Sterling: If I had searched the records as dili- gently as the member has and came up with so little evi- dence—I do not believe it is any evidence of Mike Harris saying he wants a balanced budget—I would have apolo- gized. That is all I have to say.

Mr Phillips: If I might add, I listened carefully to Mr Harris and I honestly do not remember him ever even implying he thought the budget should be balanced this year.

Mr Sutherland: Okay, as I say, that is the only refer- ence I found there. I just wanted it put on the record that this is how it is, and people can judge from there.

Mr Jamison: Did he ever use a figure?

Mr Sterling: No.

The Acting Chair (Ms M. Ward): Did you want to comment on that, David?

Mr Christopherson: Not on that one; another matter. We all want to get out of here. I am not going to hold us up.

To clear up some unfinished business, during the Labourers' International Union of North America presenta- tion there was a discussion about Mr Frank and whether he was on his own or whether he was representing the coun- cil. It was an important point. We all agreed to have it researched. We have a report from our researchers which indicates Mr Frank has said he is representing the position of the Conference Board of Canada and I would suggest, or I would like to request, that we send this to the pre- senters with a covering letter acknowledging that question was clarified and attach it.

Mr Sterling: I could not quite understand the wording of the sentence regarding the phone call you had made. I talked to Mr Frank and pointed out that since personal opinions are not published by the board, the article can be construed as representing the position of the board.

The Vice-Chair: Would you like clarification on that?

Mr Sterling: Yes. What does that mean?

Mrs Sullivan: It means a job next week.

Mr Rampersad: It is very simple. The board does not publish personal opinions. Consequently it is to be taken

that Mr Frank would not say outright that this opinion was the opinion of the board, but he hinted very strongly. The logical conclusion is that since personal opinions are not published by the board and since this is a board publication, therefore it is construed—

Mr Kwinter: If this man is representing the conference board, why would he not come out and say, "This is the opinion of the conference board"? Why would he suddenly say, "I won't come right out and say that but it can be construed." That is absurd; it either is or it is not. Why would he not say: "Absolutely. I speak on behalf of the conference board"? Everybody who comes forward says, "The conference board says this," and he is saying, "I'm not exactly saying that, but it can be construed that the conference board is saying that." What is the deal with him?

Mr Sterling: So there is no conclusion.

Mr Christopherson: Come on, do not play games.

Mr Kwinter: Play games? I am serious. Why would he not come out and say "Yes, of course this is the opinion of the conference board"?

Mr Christopherson: If anything he should say, "It should be construed," not, "can be construed," because there is no other conclusion.

Mr Kwinter: Why would he not come out and say it?

The Vice-Chair: Order, please. Mr Sterling, you have the—

Mr Christopherson: Can you imagine the heat he is under from the right wing? You know it.

The Vice-Chair: Mr Sterling has the floor.

Mr Sterling: I want to ask the researcher, you asked Mr Frank outright if this was an opinion of the board. Is that correct?

Mr Rampersad: I asked him first if it was his opinion or the opinion of the board.

Mr Sterling: And he would not answer the question.

Mr B. Ward: What did he say?

Mr Rampersad: I am afraid I cannot tell you word for word what he said, but his point was, the good diplomat that he was, that the board does not publish personal opinions.

Mr B. Ward: So anything published is the opinion of the conference board.

Mr Rampersad: This particular publication is a publication of the board.

Mr B. Ward: There we go. Good enough for me.

Mr Rampersad: And the board and what is published in this—

Mr Christopherson: But David should have used word "should," not "can." You concluded there is no conclusion to reach. Therefore, when you advised us, instead of "can be construed," there is an argument used—

Mr Kwinter: Yes, but you said he would not come out and say it was not—

The Vice-Chair: Okay, hang on a second. Let's have some order back here. Ms Ward.

Ms M. Ward: Everybody else is giving their opinion on this and I would like to give you mine as to why he is saying—you asked him whether it was his opinion or the opinion of the conference board. The way I would interpret your reply, he is basically saying: "Don't be so bloody blank stupid. The board does not publish personal opinions, so obviously it is the opinion of the board."

Mr Sterling: I do not agree.

The Vice-Chair: We have the issue on record that Mr Christopherson raised.

Mr Christopherson: They are not crazy and they are not on our payroll. It must be a mistake. Right, guys?

The Vice-Chair: Mr Christopherson put on the floor that we should send a copy of the report back from the research to the Labourers' International Union. That is the issue we are dealing with.

Mr Sterling: I disagree with that, because the report does not indicate that Mr Frank was confronted with saying "Is this the conference board opinion?" Mr Frank refused to answer that question.

The Vice-Chair: You are changing it just to suit what is here.

Mr Christopherson: No. That is all I said before, send this here, with just a covering letter that, "Further discussion you heard at the meeting, attached please find the results of our research department's discussion with Mr Frank," and then let them draw their own conclusions so that we do not spend taxpayers' money debating semantics.

The Vice-Chair: Okay. If that is fine, then seeing to other formal business—no one has any questions for the clerk at this stage with any of the information they have been given for the touring? Okay, we are now adjourning. We just have the subcommittee to meet a bit.

Mr B. Ward: If any questions should arise, we can call them tomorrow, right?

The Vice-Chair: Yes.

The committee adjourned at 1643.

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Monday 12 August 1991

**Standing committee on
Finance and economic affairs**

1991-92 budget

**Assemblée législative
de l'Ontario**

Première session, 35^e législature

**Journal
des débats
(Hansard)**

Le lundi 12 août 1991

**Comité permanent des affaires
économiques et financières**

Budget de 1991 à 1992



Chair: Jim Wiseman
Clerk: Todd Decker

Président : Jim Wiseman
Greffier : Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 12 August 1991

The committee met at 0836 in the Valhalla Inn, Thunder Bay.

ELECTION OF CHAIR

The Vice-Chair: Good morning. I call this meeting of the standing committee on finance and economic affairs to order. We are here in Thunder Bay having our hearings on budget.

Before we hear our first presentation, I would like to inform the committee that the clerk has received the resignation of Mr Wiseman as Chair of the committee and therefore the first order of business is to elect a new Chair. I ask for nominations.

Mr B. Ward: I nominate Ron Hansen.

The Vice-Chair: Okay. Do we need seconders? We do need seconders. Are there any other nominations? Seeing none, I declare nominations closed. Therefore, Mr Ron Hansen will be the new Chair and I shall yield the chair to you.

The Chair: Thank you, and I thank my nominators.

1991-92 BUDGET

DRYDEN AND DISTRICT LABOUR COUNCIL

The Chair: To start the business of the day, we call on the Dryden and District Labour Council for its submission to the committee. When you come forward, please identify yourself for Hansard. You will have one half-hour and after your presentation the remaining time in the half-hour will be split among the three parties to ask questions.

Ms Wall: Good morning. I am Alma Wall, president of the Dryden and District Labour Council. This is my first term as president and this is my first major submission. I would like to welcome you to Thunder Bay. We are glad to see this government making a real effort to reach out to the people of Ontario by holding these hearings across the province. We appreciate your efforts.

I wanted to keep the tone of this presentation on a positive note, but in preparing this submission I found that though the problems we face in the northwest are much the same as in the rest of the province—unemployment, plant closures, privatization, etc—most of our communities are re-industry towns. When a plant closes in the northwest, the community is faced with the challenge of keeping the town vital and viable. The financial and emotional stress placed on these communities is tremendous. We believe this budget is a major step forward in addressing these problems.

This recession is, without question, the worst recession to hit the province since the Great Depression. Job losses in the province have totalled 214,000 in the first year of this recession, compared to 89,000 in the first year of the 1981-82 recession. This constitutes a drop of 4.3% in employment compared to a drop of 2.1% in 1981-82. The number of jobs in the manufacturing sector dropped by 97,000 in Ontario last year compared to a drop of 76,000 in 1981-82.

This constitutes a drop of 9.9% in manufacturing jobs compared to a drop of 7.2% in 1981-82. Ontario's rate of job loss accounts for 80% of the national loss in jobs.

Many of these jobs are gone for ever. In 1990, 65% of reported layoffs were due to partial or complete plant closures. In the first five months of this year, 59% were due to partial or complete plant closures. By contrast, in 1982 only 24% of the permanent layoffs were due to shutdowns. The remainder were the result of companies temporarily reducing their number of employees.

Manufacturing jobs are hard to replace. The average wage for manufacturing jobs in Ontario is \$630 per week, considerably more than the average industrial wage of \$542 per week and the service sector wage of \$511 per week, where most jobs have been created in the last decade.

During the current recession, bankruptcies in Ontario, business and personal, have soared. Business bankruptcies increased by 73% in 1990 compared to 1989. In the same period, personal bankruptcies increased by 83%. In the first two months of 1991, there were 24% as many bankruptcies in Ontario as in all of 1990. This indicates that we are experiencing a major industrial restructuring as well as a downturn in the economy. The implications for the future are considerable, not only in terms of levels of employment but also in terms of living standards and social services which we all need.

Brian Mulroney is among those who do not like the Ontario government's budget. "This Ontario initiative represents quite a departure from the policies of most governments in the world in dealing with these kinds of problems," he said. Mulroney is right. Ontario's 1991 budget does try to do something different. As Floyd Laughren said: "We had a choice to make this year—to fight the deficit or fight the recession. We are proud to be fighting the recession." The Ontario government did not abandon its responsibilities to working people, their families and their communities.

Let's look at what the Mulroney Tories have done for us, or should I say to us. Federal government cutbacks hurt Canadians in all provinces, but they have cost Ontarians the most. Cutbacks to established programs, to the Canada assistance plan and other programs will cost the people of Ontario \$1.6 billion this year alone. The result is increased pressure on the provincial programs, such as welfare and social services, designed to alleviate poverty. The freeze on established programs financing could well mean the gradual death of medicare as a national program, enjoyed equally by all Canadians, by the 1996-97 fiscal year.

Three years into the Mulroney-Reagan trade deal we have lost hundreds of thousands of jobs, especially in the highly paid manufacturing sector, and have seen dozens of plants and factories close. Whatever happened to "jobs, jobs, jobs"? Not long ago, I heard someone say that our Prime Minister was looking across the lake to the American

shores as he uttered the words "jobs, jobs, jobs." Whatever happened to the training and adjustment measures the Tories promised to help the victims of free trade? So far, all the Tories have done is to eliminate their share of contributions to the unemployment insurance fund and raise premiums for employers and workers.

The same people who brought us the bilateral Canada-US free trade agreement are at it again, trying to integrate the economies of Canada, the United States and Mexico, a trilateral agreement. We in Ontario already know what that means: Lost jobs as manufacturing plants flee south; big business pressure to limit and cut back on social programs that provide a subsidy to Canadian employers; increased pressure on cultural programs and supports; and an overall willingness to have our economic policies dictated from American boardrooms.

They seem to have learned nothing from the devastation of our economy over the last three years. On February 5, 1991, the Minister of International Trade, John Crosbie, stated, "There is no intention to renegotiate the provisions of the Canada-US free trade agreement." However, in testimony before a congressional subcommittee, United States Trade Representative, Carla Hills, had this to say: "Finally, both the United States and Canada agree that the US-Canada free trade agreement sets a floor for commitments between the two countries. Trilateral negotiations will give us an opportunity to improve and expand the US-Canada free trade agreement."

The Ontario government's position is clear. On February 11, 1991, Allan Pilkey, then Ontario's Minister of Industry, Trade and Technology, said, "A possible trilateral trade deal between Canada, the United States and Mexico would be a harmful extension of an already flawed Canada-US free trade deal.... The free trade agreement has not worked for the people of Ontario and we fail to see how the extension of a deal to Mexico can possibly be of any benefit to our industries and our workers."

The goods and services tax is one more dimension of the Tory big business agenda in Canada. It involves a massive shift in who pays tax in Canada, from corporations to individuals. The GST will be paid by consumers to the tune of about \$9 billion a year in Ontario alone. Since its introduction, the GST has proven to be more detrimental than first predicted. According to the GST consumer information office, the average family will pay an extra \$570 a year in GST, about 50% more than predicted in government studies. The GST is the wrong tax on the wrong people at the wrong time.

Although a provincial government cannot get rid of it, the NDP government refused to harmonize Ontario's retail sales tax with the GST, and refused to piggyback the provincial sales tax on top of it. That decision alone is leaving \$470 million a year in the pockets of Ontario's working people.

For years, the federal government has kept interest rates high, claiming this was necessary to fight inflation, to support the Canadian dollar and to attract investment. High interest rates, they claim, are essential to lowering inflationary pressures which, among other things, force interest rates to go up. They have it backwards. High interest rates

hurt working people and hurt the economy. They add significantly to business costs by raising the cost of capital.

In the meantime, high interest rates maintain the Canadian dollar at artificially high levels, especially vis-à-vis the United States. This undercuts the competitiveness of Canadian goods and services in the US and adds to the devastation caused by the free trade deal. Amazingly, it is the Tories and their big business backers who complain loudest about Canada's lack of competitiveness.

The sorry legacy of the Tory government in Ottawa—cutbacks affecting social services, free trade with the United States, a North American free trade agreement, the GST, and high interest rates. It is these difficulties working people in Ontario have to overcome. The provincial government must get helps us in our fight.

In the context of recession and federal government cutbacks, the provincial government had to make some tough choices. In putting the wellbeing of people before the deficit, they moved in the opposite direction of the Tories. Mulroney's answer is to raise taxes and cut services, making the recession worse. The answer of the Ontario government is to fight the recession through:

1. Sustaining and creating 70,000 jobs. This means the province lost only 260,000 jobs instead of 330,000 jobs under federal government policy;

2. Undertaking the most aggressive anti-recession effort in all of Canada through increasing overall spending by 13.4%;

3. Creating the \$700 million anti-recession program. When combined with the contributions of local governments and agencies, total spending will exceed \$900 million;

4. Maintaining health care and education, despite cutbacks from the federal Tory government;

5. Responding to the need for action in such areas as worker protection, pay equity, social assistance reform, affordable housing and the environment;

6. Putting spending power in the hands of Ontarians. By not imposing the provincial sales tax on the GST, \$400 million will be left in the pockets of consumers in 1991, and enriching the Ontario tax reduction for low-income earners;

7. Creating a \$215-million social assistance reform package that is designed to provide benefits for those who are in greatest need, to help people get into the labour force, to increase fairness and accessibility, and to provide further relief to overburdened municipalities;

8. Providing tax relief for the poorest of Ontarians, initiating the largest enrichment in the history of the Ontario tax reduction program. This \$50-million enrichment means the number of low-income earners whose Ontario income tax will be eliminated or reduced will increase to 700,000 for the 1991 tax year;

9. Allocating \$48 million in 1991-92 to help lay the groundwork for self-government and resolution of land claims for support for research and negotiations; \$20 million to be spent on community infrastructure such as water and sewer systems; \$5 million for 400 new child care spaces on reserves;

10. Allocating an additional \$12 million for new shelter beds and enhanced services for women who are victims of domestic violence, and an increase of more than \$8 million

expand and enhance services to women and children who are victims of sexual assault;

11. Making \$125 million available to Ontario's transfer agencies—municipalities, school boards, hospitals, universities and colleges, and other agencies—to assist them with the cost of pay equity;

12. An unprecedented level of provincially supported activity for the development of another 10,000 non-profit housing units, which will cost the province approximately \$50 million in annual operating subsidies when completed.

Big business spokesmen, the media and the opposition parties have all criticized the budget for its deficit. When the NDP came into government, it discovered that the budgetary deficit plus confidently predicted by the Peterson Liberals was \$2.5-billion deficit. Since then, facing the worst recession in 50 years, it has made tough choices while managing taxpayers' money carefully and compassionately.

In all of the discussion of the province's budgetary deficit, little attention has been paid to its causes. Most of the deficit comes from the financial reality of the recession: falling revenues, increasing costs in health care, social services and education. A very large part of it is the impact of federal transfer payment cuts. The cumulative impact of federal cutbacks in established programs financing—health and post-secondary education—and payments under the Canada assistance plan—social services—is costing Ontario \$1.6 billion in 1991-92 alone.

Last year, provincial revenues fell at the same time as more people required social assistance. Welfare costs have doubled in the last three years. More than half of the people receiving social assistance are single mothers with children at home and people with disabilities who have difficulty finding work at the best of times. Forty-two per cent of social assistance beneficiaries are children. The average stay on social assistance for persons classified employable is 4.5 months. So we say to those who do not like deficits, and we are among them, what would you cut, funding for schools, hospitals and community care for seniors? Where is the economic wisdom in increasing the unemployment lines and welfare case loads?

Ontario's projected deficit of \$9.7 billion is moderate if considered in perspective with the record of recent Conservative governments. The Ontario deficit is comparatively low in terms of total spending, in terms of gross domestic product, in per capita terms with other provinces and with the federal government under Conservative governments. In Ontario the 1991 per capita deficit is \$992, in Alberta in 1987 the per capita deficit was \$1,713, in Saskatchewan in 1986 the per capita deficit was \$1,188, and in Canada in 1991 the per capita deficit was \$1,149.

Spending money now is critical to stimulating economic growth, to responsible fiscal management and to helping our fellow citizens in difficult economic circumstances. As the figures above demonstrate, Ontario's spending is not out of control. In fact, it is less than other provincial governments spent to get out of the last recession.

Ontario's public debt charges—the interest costs of carrying its debt—are low as a share of its total revenues. The federal government spends 36 cents of every \$1 of

revenue as interest on its debt, spending which only serves to benefit investors and bond dealers. In contrast, Ontario spends less than 10 cents of every \$1 of revenue on interest costs—less than every province except Alberta and British Columbia. These costs will rise to 11.6 cents next year, still far below the federal rate and less than the debt charges of most provinces. Ontario lost its triple A rating, but so did the Liberal government when it first came to power. It did not regain it until four years later.

In preparing this brief, I have carefully avoided citing any individual cases in northwestern Ontario, as I was only contacted on Thursday and asked to present here this morning. So I was unable to thoroughly research any cases and to be able to answer questions on those cases accurately. However, I have attached a news clipping which relates the story of one small businessman and his family.

Gord and Linda Griffiths took over the running of the Clover-Belt Country Store five years ago. Last fall the gas pumps had to be removed due to age. The removal and disposal of the pumps was expensive and as the cost of replacement was in the neighbourhood of \$20,000 the Griffiths made the decision not to replace the pumps. This spring Canada Post decided to change the terms of the agreement for the operation of the post office at the store. The Griffiths were told there would be no negotiation of the six-page contract. As the agreement resulted in a wage reduction of approximately 62%, the Griffiths decided not to renew the contract and to close the store.

The Griffiths family also owns and operates an abattoir and butcher shop. With four federal ministries and four provincial ministries watchdogging the industry, each one imposing their own rules and regulations, the Griffiths family is unsure of the future of the abattoir and butcher shop.

Government regulation, privatization and lack of government funding has resulted in the closure of one business and is threatening the future of another. This is in only one family.

Since the article was published another business just outside the community has assumed some of the postal services once provided by Mr Griffiths and his family. Had the same arrangements been made with Mr Griffiths that were made at the new location, Mr Griffiths would probably have been able to keep his store open and operating and would right now be providing an essential service to a small, rural community.

In conclusion, we would like to thank the government of Ontario for holding public hearings on the budget and providing us with an opportunity to present our views on the economic situation.

In talking with my members, I found they were well aware that Ontario's economy, like others around the world, is undergoing and needs restructuring. Our members want an efficient economy which provides secure, well-paid jobs at high levels of employment. They want an economy which is highly productive, yet is environmentally as well as socially sustainable, an economy in which the benefits of growth are shared fairly.

In our view, the budget is a major step in the right direction. It represents an investment in the people of Ontario to lay the groundwork for sustainable prosperity in the 1990s. The Conference Board of Canada forecasts released May 21

confirm that while Ontario has been worst hit by the current recession, it will lead the country in economic growth in 1992.

Thank you for the opportunity to make this presentation to this committee. The next few years will provide many challenges for all of us. I look forward to working with you in the future.

Mr McLean: Thank you for your presentation. The question I want to ask you is with regard to the gas tax. Do you agree with the proposal in the budget for the 3.4-cent increase in the gas tax?

Ms Wall: I am sorry?

Mr McLean: The budget increased gas taxes substantially and I am wondering what your opinion is on that increase in gas taxes. There were some commitments made that the price of fuel in the north would be levelled out with the fuel in the rest of the province. That has not happened and in fact the gas tax has been increased. I wanted to know what your opinion was with regard to the increase in taxation.

Ms Wall: Gas prices here in the north have always been high. We do not like it.

Mr McLean: I did not see anything in your brief about the details of the budget. That was why I asked the question. I thought to bring that issue up would be important for people of the north because they are very concerned about the price of gas.

I guess I will go on with another question and it has to do with skills training—

Mr B. Ward: I do not mean to interrupt. I just wanted clarification. How much time does each party have, Mr Chair?

The Chair: We have about three minutes for each party.

Mr McLean: The last administration was kind of keen on skills training programs in Ontario. This administration, I have noticed, with Mr Pilkey when he was in the ministry—and I guess it really comes under Mr Richard Allen, the Minister of Colleges and Universities and Minister of Skills Development. Are there training programs in the north?

Ms Wall: Yes, there are.

Mr McLean: Is it through the high schools?

Ms Wall: It is through the community college, Confederation College, here in this part of the northwest.

Mr McLean: Is it fairly active, with a good enrolment?

Ms Wall: I would say yes. There is a lot of participation.

Mr Nelson: There has been some reduction in services in training workers. For instance, at Quetico Centre they previously trained heavy equipment operators. There was a reduction from 48 prior to 1984. It went down to somewhere in the neighbourhood of 24 and then they eliminated the program at Quetico Centre.

Mr B. Ward: When the budget originally came out there was a large amount of criticism from groups and organizations, but since then there has been more support, especially since these hearings have taken place. We spent a week in Toronto and now we will be touring the north. More and more business groups, social organizations,

economists from across Canada, indeed the Conference Board of Canada itself, have come out in support of the budget and said the province is heading in the proper direction during these tough economic times. If our government had not taken the action it did from an economic standpoint in battling the recession and trying to cushion the blow that workers and businesses face because of these tough economic times—recognizing you are not economists, you are working people and you understand things that go on in the north—if we had not taken the initiatives we did, would you think the impact would be?

Ms Wall: I shudder to even think of it. What has been happening has not been working and hopefully these measures are going to help us.

Mr Nelson: As was pointed out in the brief, the suggestion of closure of schools, hospital beds and so forth is just unthinkable to the people in northwestern Ontario.

0900

Mr B. Ward: In fact, if our government had tried to answer the critics and had cut back on our health care, cut back on our social programs, cut back on our job creation, things would be worse than they are now, recognizing that things are bad.

Ms Wall: I work for a board of education. This would have been much worse. If we had had any major cutbacks in education, the implications would not have been pleasant.

Mr Nelson: I would like to clarify what I was saying before regarding the program at Quetico Centre. That was under the federal program that cut back that particular training program.

Mr B. Ward: The federal government cut that back.

Mr Nelson: Right. I was not able to complete what I was saying.

Mr B. Ward: Perhaps you could expand. What is the program? It is run by the federal government.

The Chair: Sorry. Mrs Sullivan.

Mr Nelson: I will never get to tell the story.

Mrs Sullivan: I am interested in the emphasis on job creation and the sustaining of jobs which the budget includes. I would like to know, specifically from the point of view of this community, where jobs have been created and where they have been sustained as a result of this budget.

Mr Nelson: You are asking the Dryden labour council to respond to what is going on in Thunder Bay?

Mrs Sullivan: In your own community, where have jobs been created as a direct result of this budget?

Mr Nelson: I think they have been maintained in areas of education, health care and social services. Those jobs that would obviously be cut and no longer exist there, providing—

Mrs Sullivan: Where did the threat of their being cut come from?

Mr Nelson: As was pointed out in the brief, if you have time to read it—

Mrs Sullivan: Yes, I have.

Mr Nelson: There has been a deficit left over, there have been cutbacks at the federal level, and as a result of the choice to the government, as far as we understand anyway, was to either make cutbacks to reduce the deficit or fight the recession. That is what this labour council and the other labour councils are trying to support, that we are fighting the recession versus cutbacks.

Mrs Sullivan: Have there been new jobs created in Thunder Bay as a result of this budget?

Ms Wall: I cannot address that issue.

Mr Nelson: In a small community there probably are a lot of jobs being created as a direct result of the budget. However, when these people are working, people in other industries benefit and maintain their employment, such as in grocery stores, lumber yards and so forth. If people are working, then as a direct result of being able to work there is a ripple effect on the economy. These other jobs may very well have fallen by the wayside and would not have been there to support the economy of the community. But because of this budget, these people are working and those dollars are in the community instead of unemployment insurance and welfare, which would be a direct drain on the provincial and federal resources.

The Chair: Thank you for your presentation before the committee. It was well appreciated.

RACE RELATIONS THUNDER BAY

The Chair: The next person to appear is Lynne Sharman. You will have 15 minutes as a presenter. Try to leave some time at the end for questions from the three parties.

Ms Sharman: I am here to represent Race Relations Thunder Bay, and I am specifically addressing and supporting the \$7.5-million allocation to the anti-racism strategies that were implemented in the budget.

Race Relations Thunder Bay is a community advocacy and lobbying group working to develop and monitor anti-racism strategies in the following areas: We address education initiatives and advocacy; employment equity initiatives—these are all on a community basis; complaint resolution and advocacy; women's initiatives and advocacy; and media and cultural initiatives. This is in the city and district.

Past initiatives included extensive lobbying of the Thunder Bay Police Commission in 1989-90, particularly with regard to the perception and treatment of Ojibway and Cree residents of this city and the absence of native police personnel.

In 1991 our organization has focused on the review and revision of draft race and ethnocultural relations policies introduced by both boards of education. Our recommendations include the introduction of compulsory native studies from junior kindergarten to grade 12, from both a historical and contemporary perspective, with a whole-system recognition of the Ojibway and Cree people, who are in fact the host nation of this region. It is this nation of people who have experienced systemic racism in every conceivable form over the past 200 years—intellectual, economic, spiritual, physical, emotional and cultural.

In Thunder Bay neither the public nor separate school boards have policies or procedures in place that protect elementary and secondary native and visible minority students from overt or subtle—hidden curriculum—forms of discrimination and harassment. At the June Native Community Forum on Education Issues in Thunder Bay, co-sponsored by the provincial Ministry of Citizenship, 60 native parents attended and related their children's stories and their own sense of powerlessness to effect change due to entrenched systemic barriers. Parents described over and over again their children experiencing incidents of intimidation by principals, teachers and peers, originating in the absence of respect for and acknowledgement of beliefs and rights that run counter to those of the dominant majority.

Because the formal mechanism for remedial action does not yet exist on an institutional basis, a parent advocacy network has been formed and funding is being made available to provide the materials and resource persons necessary to proactively create a culturally healthy learning environment for native and visible minority students.

Racism is the root cause of the problems that the provincial government is now addressing, with its allocations to the Ministry of Citizenship, Ministry of Education, Ministry of Colleges and Universities and to the minister responsible for native affairs, on behalf of Ojibway and Cree people. The change is tangible in this region already and it is a positive and dynamic one.

Even to those people who have been living in a recession for many decades in northwestern Ontario, and that includes native people, women and visible minorities, the economic backsliding of the past decade has been disastrous. It is reflected in northwestern Ontario's high incidence of alcohol and substance abuse, domestic and sexual violence against women and children, the high dropout rates in secondary schools and the high rate of incarceration of young native men and women.

If the budget had not produced a financial commitment to the inherent right to self-government of native people, if funding had not been allocated for community infrastructures such as water and sewer services on reserves, if the funds were not provided to the Ministry of Education to address self-identified elementary and secondary school needs in the northern native community, the provincial government would have had blood on its hands, because people have literally been killed by racism in northwestern Ontario, some by suicide, some by escaping into alcohol and substance addiction, and some by committing criminal acts, knowingly and unknowingly. The silent bloodletting has been acknowledged finally.

It is ironic then and perhaps predictable that racial equity should be financially and legislatively introduced to northwestern Ontario now. As a society we are struggling in a post-technological employment era. The training and education that should have begun 40 years ago is being put into motion in the latter stages of post-industrial and post-technological manufacturing and distribution macrosystems. The equity the province is ensuring with this budget is a last ecological and spiritual shudder, and we are relieved that you heard the cry in Toronto. It obviously did not pierce the walls of last week's Conservative Mardi Gras.

In terms of Race Relations Thunder Bay, the \$7.5 million in funding announced by the province for anti-racism strategies over a two-year period indicates this government's willingness to adopt a leadership role in the eyes of the rest of the country. There is a sense of vision inherent in this budget, evidenced by the development of much-needed implementation guidelines with the creation of a provincial anti-racism policy, with the public sector anti-racism strategy with increased aboriginal minority representation on government advisory boards, and the creation of the anti-racism secretariat itself. Race Relations Thunder Bay particularly endorses the need for a distinct approach to anti-racism measures for aboriginal people in this and other regions of Ontario.

Many Ojibway and Cree residents are very mistrustful of provincial and federal anti-racism campaigns in which they are visually and representationally absent as active participants, beneficiaries and initiators of anti-racism print and broadcast strategies. This lack of media representation extends to public and private broadcasts and Supply and Services productions by the government itself.

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In Thunder Bay we receive two commercial channels from urban Detroit as a major component of consumer service. Regular news coverage on a daily basis from downtown Detroit highlights racial tensions and strife in a major US metropolitan centre to Thunder Bay viewers. This urban racial strife becomes embedded in the consciousness of Thunder Bay residents: population 110,000; 25,000 children enrolled in elementary and secondary schools; 6,000 children living on welfare and family benefits with a single parent; the second highest rate of seniors in Canada after Victoria, British Columbia; a very high rate of illiteracy, alcohol and drug abuse, unemployment, and domestic and sexual violence compared to other centres in the province; and one of the highest rates of disabled persons compared to other centres in the province due to the at-risk former employment, for example logging, and individuals who are injured or disabled moving to Thunder Bay for needed services.

This is not Detroit. However, residents are fed daily the visual and audio imagery of urban and suburban Detroit and assume it as their own. The Rogers media disallow residents from looking at Thunder Bay, northwestern Ontario or the rest of Ontario or Canada, for that matter, in a non-fearful and objective manner.

Nowhere on Rogers cable from Detroit do we see or hear anything about the realities of life on reserves in northwestern Ontario, anything about the fact that between 80% and 90% of native women are survivors of sexual and physical assault, or anything about the fact that northwestern Ontario is a Third World entity in terms of its treatment of Ojibway and Cree people. We do not hear or see anything about the below-poverty-level existence of 6,000 children in single-parent homes in Thunder Bay.

Television is a major activity in a community where poverty is widespread and winters are minus 30 degrees Celsius, to the point where staying inside is not only physically necessary but economically imperative and becoming even more so. Do not underestimate the transformative power of television to aid this government's fiscal and

moral vision. If equity is to be understood and assumed, a given in northwestern Ontario, native communication societies must have access to commercial air time as well as the parliamentary channel.

The 7.5 million anti-racism dollars over a two-year period and the pre- and post-secondary education moneys allocated in the budget are essential to offset the post-technology equity backlash that began occurring some years ago. Unemployed young and older males displace their frustration and anger on aboriginal people, women, visible minorities and by extension, their children.

By protecting all provincial residents equally, including the 40% increase necessitated in social assistance programs, the government of Ontario offers not only a vision but the reality of social partnership, and Race Relations Thunder Bay offers its support. This is not a hostage-taking fiscal plan, does it regard the people who are struggling to realign their very ordinary lives, in the midst of unprecedented global economic, ideological, ecological and perhaps unknown genetic restructuring, as somehow faceless and somewhat without as much value as the almighty dollar.

With the very significant leadership offered by the provincial government in this budget, something will be given in return. As more Ojibway and Cree people in northwestern Ontario become known as educators, broadcasters and political leaders, they will in turn teach us something about democracy that runs parallel with the NDP's vision.

Dr Clare Brant of Shannonville, Ontario, has written *Native Ethics and Rules of Behaviour* that the native "ethic of democracy, which underlies the ethic of non-interference, emphasizes the equality of all individuals, encourages economic homogeneity, decision-making by consensus, interdependence of mind, autonomy and a high degree of personal privacy." Autonomy and personal privacy do not preclude the importance of group survival, which "is more important than personal property. Consequently in native culture, individuals are expected to take no more than they need and to share freely." Your fiscal policies do not touch anyone of their dignity or their self-respect no matter what they are, and we thank you.

The Chair: We have three minutes. Starting with Kim Sutherland, you have one minute. Make it a short preamble.

Mr Sutherland: I just want to ask you how you thought an employment equity plan would impact. Do you think that would help in improving race relations?

Ms Sharman: It is improving race relations. I think there are going to be two things happening. I would rather speak of it in terms of an anti-racism strategy. I think employment equity is going to create equality down the road but the introduction of the legislation very much necessitates the need for the funding for the anti-racism strategy because there has been a backlash. There is going to be a backlash, as I said in here. We have already seen examples of the backlash.

Mrs McLeod: Perhaps I can give you an opportunity to expand a little bit on it because my question is in the same direction as Mr Sutherland's. You mentioned the backlash that you begin to see, particularly when there is a large level of unemployment. I have been concerned

ss the province as well as in the northwest about the
 klash against the most fundamental issues of equity
 we see in a recession. I wonder if you would comment
 whether you have felt more of that backlash in recent
 nths, and perhaps expand a little more on the kind of
 omic opportunities you think are needed both in na-
 e and non-native communities and begin to address
 se underlying fundamental issues.

Ms Sharman: That is a really difficult question to
 wer, because again we are in a post-technological em-
 ployment period now. You cannot look at job creation in
 of the ways in which we have looked at them formerly,
 there are things occurring locally. It is going to take
 ryone's co-operation and everyone's concerted effort to
 k at the changing notion of work and have the changing
 ion of what work and production are so that they bene-
 everyone equally in the province.

Mr McLean: You relate to the water projects on re-
 ves. There has been a substantial increase in them and
 t has created a lot of jobs. Where does the funding come
 m for those water projects?

Ms Sharman: I am not familiar with this source. I
 ould assume there is a partial contribution from the prove-
 e through the minister responsible for native affairs, and
 artial contribution—

The Chair: Thank you. We have just run out of time.

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STEPHEN McBRIDE

The Chair: We have Stephen McBride to make a pre-
 ntation. Identify yourself for Hansard. You will have 15
 nutes, and out of that 15 minutes, the time at the end
 ll be divided among the three parties for asking questions.

Dr McBride: I am a political scientist who does re-
 arch on economic policy. I have a forthcoming book and
 umber of articles on this subject. There is a written
 rsion of my brief, which I have passed over to the clerk.

In his budget speech, the Treasurer said the choice was
 tween fighting the deficit and fighting the recession. The
 ropose of my brief is to argue that in choosing to fight the
 ecession, the Ontario government made the politically and
 onomically responsible choice.

Politically, this is a new government. It had just won an
 ection in which a neo-conservative alternative was on
 fer from the provincial Conservative Party. The electorate
 d rejected that alternative. For the new government to
 en adopt neo-conservative economic policies and put its
 mphasis on restraining the deficit could only have fuelled
 nicism and disillusionment, which are already wide-
 read, with the political process, as well as undermining
 rhaps the long-term legitimacy of the political system.

Second, again politically, there is a widespread percep-
 on that this recession is made in Ottawa and that federal
 olicies of high interest rates, an overvalued dollar, the
 mpact of the GST and the impact of the free trade agreement
 ve generated this recession. Pending a federal election,
 hich is at least two years away, to whom should Ontario
 izens look for relief from these federal policies? The
 gical and long-standing answer in a federal system is to

look to the provincial government for relief, and I think in
 responding in this way the Ontario government has done
 the responsible thing.

Economically, I would make three points. The budget
 obviously rejects the currently fashionable monetarist eco-
 nomic theory. This theory is basically an updated version
 of the doctrine of sound finance, which was fashionable
 prior to the last Great Depression and during it. Based on
 my own research, I would say a number of aspects of this
 theory are either incorrect or they are misapplied to the
 Ontario situation. For example, monetarist economists be-
 lieve that the deficit causes high interest rates, but certainly
 at the federal level in Canada high real interest rates pre-
 ceded the current explosion of the deficit.

Second, excessive government expenditures are pre-
 sumed to cause high deficits, but when you look at the facts,
 it seems the current deficit, federally at least, is generated
 by a mixture of high interest rates and foregone revenues
 through tax expenditures, many of which favour business.

Third, whatever one thinks of monetarist economics
 theoretically, there is no doubt that the fiscal positions of
 Ontario and the federal government are different. A table
 attached to the back of my brief summarizes the accumulated
 debts of the province and the federal government expressed
 as a percentage of gross provincial product on the one hand,
 and gross domestic product on the other. Ontario's debt in
 1990-91 was 15% of the GPP. The federal debt was 57%
 of the gross national product. Obviously the room for ma-
 noeuvre of the two levels of government is entirely different.

Fourth, it seems to me that critics of the government
 who wish that it had made reducing the deficit its chief
 priority fail to calculate and factor in the social and eco-
 nomic costs of failing to fight the recession. For example,
 there is extensive literature which suggests that unemploy-
 ment increases poverty rates, increases family breakdown,
 increases domestic violence and leads to more suicides,
 more admissions to mental hospitals, greater criminality
 and more admissions to prison. All of these represent
 major human costs, but if you start to put dollar figures on
 them, they also represent economic costs as well.

Similarly, failing to fund education, cutting back on areas
 like education, would simply produce a future generation,
 facing an increasingly internationally competitive economy,
 ill equipped to compete. The position I argue in the brief is
 that expenditures had to be maintained as a long-term invest-
 ment in the future.

My conclusion, to leave some time for questions, is
 that these were not easy circumstances in which to bring
 down a budget. But in avoiding the pointless and in fact
 counterproductive path of simply axing expenditures, the
 provincial government has done a real service for the pop-
 ulation of this province.

Mrs Sullivan: Professor McBride, this is a very inter-
 esting presentation you have made and certainly a thought-
 ful one. I would appreciate your comments on a choice the
 Treasurer has made in the budget, in relationship to the
 deficit of close to \$10 billion, to have significantly more
 than half of that deficit on the operating rather than on the
 capital side of the budget. In other words, the Treasurer is
 borrowing this year for pens, papers and pencils and the

gas for highway vehicles and so on and adding that operating deficit to the long-term debt. I would like your comments on doing that rather than making a choice of putting a significant injection of capital into a capital deficit, an injection of stimulus that way.

Dr McBride: I think it is an important question, and if that same choice were reflected in the long term one might have grounds for concern. It seems to me this budget was introduced in the very early stages of a recession and I think the choice made was reasonably logical under those conditions. But in the long run, obviously one should not finance, as you put it, pens and paper.

Mrs Sullivan: What do you see being the long-term effect on the debt, and the legacy that is left for the children of our province if operating deficits continue to be created? Certainly the Treasurer has predicted that this kind of deficit is going to continue for perhaps the next five years.

Dr McBride: I think there are two ways of looking at the long-term effects. One, which is fairly common, is to look at the debts which must be repaid by the future generation. The other, I think, is to look at the costs future generations would incur if spending were not maintained. If we move away from pens and papers towards social assistance programs, it does future generations no good to inherit a deteriorated education system, to have been brought up under conditions of malnutrition. Those programs which the government has maintained, even if they do not fall under the capital portion of the budget, are in fact an investment in the future.

Mr Christopherson: Thank you, professor. I appreciated your brief very much. You touch on something in here—some of it in the form of just a short question and then a brief answer. In light of the responses you gave to Mrs Sullivan's questions, specifically what sorts of things would a government have had to look at in order to balance the budget this time if one had chosen to go down that other road? What kind of real effect would that have, particularly in a community like Thunder Bay?

Dr McBride: It depends on the scope of the cuts, obviously. Those cuts were not made and they could have been minor or severe. The sorts of things we are looking at are cutbacks in transfer payments to municipalities and to school boards, compounding the underfunding of universities, and to various social assistance programs and so forth. Those are the big items in the budget, so logically those must be the items which would have to be cut if expenditure cutting was the goal. In terms of its impact in Thunder Bay, Thunder Bay in many ways is not dissimilar to the rest of the province. Perhaps some of those social problems are a little more severe here, and therefore one would expect the general impact to be magnified in the north and perhaps in eastern Ontario as well, in the outlying regions of the province.

Mr Christopherson: There was also some discussion about not a lot of the deficit being put to capital works, and I think I would maybe like to correct the record from our perspective. There was the \$700-million anti-recession program which basically was of capital intent, and I understand

about \$32 million of that money has found its way here in the Thunder Bay area. From an economic point of view, does it make good sense? Obviously in terms of generating jobs and local stimulus, it is important to have an injection of money, but does it make sense, from a long-range economic planning point of view, to be putting that money into infrastructure such as roads, public buildings, hospitals, schools, etc., at this time or should we be holding off? Should we rather have spent that money at a different time?

Dr McBride: Given the stage of the recession, I would argue that the spending of money per se has a stimulative effect and that is quite positive. One thing that often intrigues me about discussions of the deficit and public debt, especially the accumulated public debt which will of course increase as a result of this budget, is that the debt represents a liability for the government. But people very rarely put forward the other side of that table, which is the asset that spending produced. I think your references to infrastructure and so forth are quite to the point, that much of that debt represents or is offset by the roads, schools, universities, the investment in training and so forth that historically governments have undertaken, including this one.

The Chair: I have to cut you off at that part of the question.

Mrs McLeod: I will very quickly note my appreciation of the tables that reflect the fact there was a good fiscal position and that Ontario did benefit from that coming in this particular budget. But I would suggest that there is a bit of a tendency in your brief to subscribe to what I think is a very arbitrary either/or juxtaposition, that you either have the deficits or you cut back on social programs. The concern we would want to bring forward is that we need to be able to provide for those social programs through employment generation and real economic development that gives us the revenues to support social programs.

I wonder what evidence you would find in this budget of longer-term economic planning, with more permanent job creation so that we can ensure both a reduction in deficit for those future generations plus fuller employment and revenue for social programs support.

Dr McBride: To be fair to the office of the budget, probably is an interim and an emergency document but I do find some evidence—

Mrs McLeod: Even with the projections for four years in advance?

Dr McBride: I think the reference is in the budget, admittedly the programs are not put in place—for example, increased training and skills development and so forth, and I think will probably be developed in the future. I am sure you pose that question to your partisan opponents they will probably come up with a long list of factors but—

The Chair: Thank you, Mr McBride. I am sorry, you are so short on time.

Dr McBride: I hate to go out on a but, but there it is.

Mrs McLeod: I could answer the question for you, Mr McBride.

THUNDER BAY EMERGENCY SHELTER

The Chair: Identify yourself for Hansard, and welcome to the committee.

Mr Milne: My name is Keith Milne. Excuse me for giving such a bad cold. I am the manager of the Thunder Bay Emergency Shelter. We appreciate this opportunity to discuss some of the effects of the recent budget and how they've affected our organization and the clientele we represent. The shelter is an organization that is committed to providing food and shelter and the basic needs to disadvantaged persons within our community. Our clients are individuals with very few resources and they are the people who suffer most at the beginning of a recession and will be the last to recover if they ever do recover.

In the last 18 months we have seen a significant increase of people in need of our services. In 1990, we averaged 26.8 people needing overnight accommodation and in the first quarter of 1991 it has risen to 32.25. The people who are using our soup kitchen: in 1990, we averaged 60 people and in the first quarter of 1991 we have seen an average of 81 which is a significant increase of people who really have run out of resources and ended up on our doorstep looking for some kind of assistance for their basic needs.

A few areas of the 1991 budget have proved to be helpful, first, the responsible decision-making which is really an obvious orientation to caring about people, particularly those in the lower income. I think it is very important that as a government makes decisions, it balances its financial-fiscal decisions with the concerns of social implications, and balances the social decisions with the financial implications. I think this government has made an obvious choice that it was necessary to incur a deficit to ensure that the people of the lowest incomes were not impacted as automatically as if there were no deficit.

The anti-recession employment program—even though it was not very well publicized, at least from our point of view—has been very accessible. A concern of ours always is accessibility. A lot of times government policies and programs are made available and yet it takes a great amount of time and access some of that money. But the anti-recession employment program was very successful. We have benefited by being able to hire one person. The one concern about that program is that it is very temporary, and my concern is that we may have a number of people employed for a short term of maybe six months to a year and then we may encounter the problem of unemployment again.

The emphasis in the budget on reform of the social assistance program, which is really an extension of the liberal program that was started before the election, appears to be making real progress and involves service providers such as ourselves and we appreciate that. I think it is important to take into consideration the direct effect on recipients but also we need to be careful that the province does not abdicate the responsibility and simply pass on the responsibility and the costs to the municipalities.

Reform of the social assistance system needs uniformity so that people are not left vulnerable to the discretion or the whims or the political fancy of municipalities. Of particular concern regarding the delivery of service is those smaller communities and smaller cities that tend to

pass the problem on and direct people, or in our experience we have people come to us who have been given a bus ticket from a community farther down the road and they just send them on to Thunder Bay. I think that needs to be taken into consideration, that sometimes smaller communities do not have any programs or do not have programs to help people and so they send them on to the larger areas.

We also appreciate the initiative towards affordable housing. The increase in funds in this area is very needed, and yet we need to be cautioned that the distribution needs to be equitable. Southern Ontario and Toronto are not the only areas with a need for affordable housing. One of the experiences I had when I was living in Saskatchewan was the program of sweat equity. I am wondering if this government might not want to look into that kind of program that would help young families and those of lower incomes to get their own homes. A sweat equity program could also be applicable to people who are homeless even now, as is done with some of the programs in Toronto.

There needs to be more money available for supportive housing programs combining funding from Housing, Community and Social Services, and Health, and due to the heightened process of deinstitutionalization, the funding must be available to provide the supportive-type housing that is needed within the community for vulnerable and disadvantaged persons. Particularly in Thunder Bay we need to see more funding because we have the psychiatric hospital which is downsizing the number of people staying there. It is a concern on a long-term basis that we need to have more funding in that area.

The area of emergency shelters and hostels or temporary housing was not specifically mentioned within the budget. In an ideal world shelters would not be needed, but unfortunately we do not live in an ideal world. I think it would be wise for the government to look at annualized funding arrangements that could be made available to emergency shelters, because they are a necessary last resort for people who are experiencing housing needs and other problems.

If emergency shelters were more focused towards a transitional role, such as women's shelters are, maybe we could see some progress in the whole area of the revolving door where people seem to be coming, leaving temporarily and coming back again and nothing seems to be done for them in the long term.

The money that has been directed towards food banks, or apparently, is appreciated but the fact is the directives from the government in this whole area have been very vague. We would not have known money was available for food banks except someone in the provincial office happened to take me aside and say, "Get a proposal in here for a food bank, because there is money here waiting." We are in the process of trying to put a proposal together, but the whole problem is that it is very unclear what they want to spend that money on and in what areas.

In conclusion I think the budget has taken the recession and the situation that Ontario is in, and has made a very wise choice, because it has oriented itself to the care of people. It is a very difficult situation and I think the government has a great challenge now to try and bring that deficit

to a point where we can get back to a balanced budget, because I do not want our province to be caught in the perpetual trap of deficit financing. I think we should see it as a necessary evil, but something that should be done away with as soon as possible, as soon as it has served its purpose. In my reading I am not sure that the plan is really that well.

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Mr McLean: I appreciate your comments. They are really down to earth. On the 32 people overnight, does the Ministry of Community and Social Services help fund that facility?

Mr Milne: Indirectly. We are on a fee-for-service agreement with the city social services, so 80% of that money would come from Comsoc and 20% from the municipality.

Mr McLean: Your soup kitchen, do you get funding to help with that and do you get a fair amount of supplies from the community?

Mr Milne: There is no funding available for it, or there is no funding given for the soup kitchen. A lot of our food is donated through the community.

Mr McLean: But there is funding, you indicated, for food banks.

Mr Milne: Apparently.

Mr McLean: That is interesting to hear. Is that in the food banks right across the province?

Mr Milne: We are not really sure. We have been told to get a proposal in.

Mr McLean: Is that through the Ministry of Community and Social Services?

Mr Milne: Yes, it is.

Mr McLean: Thank you, Mr Milne.

The Chair: No more questions from you?

Mr McLean: Not at this time. I will save the rest of my time, if that is all right.

Ms M. Ward: Thank you for your presentation. You mentioned the anti-recession program. A considerable amount of that \$700 million was allocated to the north. I am interested in the effect on your clients. I assume they are mostly unemployed people, although there might be some low-income earners too who essentially have to use food banks. If the anti-recession money was not spent and programs were not maintained and the additional assistance were not given to municipalities, what do you think would have been the effect on your organization, which means essentially the effect on the community?

Mr Milne: I have not seen any clients actually benefit from that program.

Ms M. Ward: What I am asking is, do you think your client base would have been expanded a great deal?

Mr Milne: I think possibly, yes.

Ms M. Ward: You would have more people needing your services, needing emergency shelter and assistance with food if the anti-recession program were not in place and more jobs were lost and if the help was not given to the municipalities. A number of people have been moved from general welfare to family benefits, which is com-

pletely provincially funded. That has taken some load off the municipalities.

Mr Milne: I think if that had not happened, our numbers probably would have increased. The problem is once the money is used up, if we might not see an increase there. Hopefully things will be better, but it is hard to say.

Ms M. Ward: You are expecting things to be bad for a while then.

Mr Milne: We are expecting things to be bad for the other two years as far as what is happening on the street is concerned. It takes that much longer for people to recover when they have hit the bottom.

Ms M. Ward: The housing initiatives will be helping the people whom you are attempting to help, non-profit housing?

Mr Milne: There is some building going on in the region that should help directly some of our clientele.

Ms M. Ward: Both in terms of housing and also the construction, about 20,000 construction jobs expected to be created there.

Mr Milne: Right.

The Chair: You have four minutes left.

Ms M. Ward: I did not know if you wanted to rotate.

Mr Christopherson: Come back to us.

Mrs McLeod: Just for the record, if memory serves me correctly I think that the food bank fund is \$1 million. That is for all programs across the province. It is a one-year-old fund, so it is available for some specific purposes, a variety of things. I do not think it is going to address the problem which I know the shelter has, which is the issue of core funding. In turn the core funding issue addresses the long-term role of the shelter.

You have indicated that shelters, like food banks and deficits, are something of a necessary evil at the present time but not something that you would want to see in an ideal world. In an ideal world we certainly would not want to see food banks continuing, but over the last weeks the use has actually increased substantially. I wonder if you are, first, seeing an increase in the number of people using the shelter. If you are, what kind of people are you seeing? Is there a change in the clientele or is it an increase of your traditional clientele? Then maybe I will ask you a little bit about the transitional role you think shelters should play. Are you seeing an increase in clients?

Mr Milne: Yes, we have seen an increase in clients. I am not sure that we are seeing an increase in the last few weeks, but in the last six to eight months we have seen an increase; not so much the traditional clientele but people who were working and have been unemployed. That is the area I am concerned about that may increase substantially in the next year, especially in Thunder Bay where we have seen so many layoffs and people losing their jobs and when unemployment insurance runs out.

I am a little hesitant to talk about the transitional role because I have gotten myself into some real hassles in the last few weeks about that, but I think there is an area where we can provide a better service. I am not sure whether it should be the shelters or social services.

municipalities, or who should provide the service, but in other areas, particularly in the women's shelters, they put a lot of emphasis on transition and taking people from a shelter, helping them make connections with programs that will help them in employment training, life skills, some of the very basic things that our clientele needs.

I think if those people are given opportunity, then we can bring them back to a point where they can take on a more valued social role within our community. Because we are the organization that deals with these people when they are at the very bottom of their cycle, we can help them access better programs, better education and hopefully can help them with a better future.

Mrs McLeod: That is a role potentially that would always have a place in any particular social structure short of the absolute ideal world. In the shorter term, with the numbers of people coming to the shelter now, are you finding that because of the unemployment people are needing both shelter and food or are they coming largely for a meal? What are the key needs you are seeing right now?

Mr Milne: Right now, there are more people in need of food than of shelter. That could be a seasonal thing as well, but I would say the increase has been primarily in the soup kitchen, people who are coming for one meal a day.

Mrs McLeod: That seems to fit with the trend across the province then, where we see the food bank in Toronto having its first ever summer food drive because of the sheer numbers of people and the state of desperation they are in.

Mr Milne: Right.

The Chair: Any one else from the opposition party with a question right now? You have two minutes left. I will put it down here and go to Mr McLean with about five minutes altogether.

Mr McLean: Since the SARC report has come in and has been implemented, I thought once that was implemented was going to kind of help do away with the soup kitchens, at least keep them cut down. Have you found in Thunder Bay that with the welfare rolls increased some of those people are still using the soup kitchens?

Mr Milne: Yes, there has been an increase in the two soup kitchens we have in Thunder Bay. The Thunder Bay food bank has also experienced a real increase where it is providing hampers to individuals and families much more than it was before. I think it is still a matter of fact that when you are receiving general welfare, there is more month in than there is money. Towards the end of the month they are just running out of money.

Mr McLean: Even with the increase they are getting?

Mr Milne: Yes.

Mr McLean: When we read some of the stories in the paper saying how much more some of these people are taking on welfare than what the average working person is making, it is hard to believe there are people out there who should be going hungry, if they are getting their full benefits of what is there for them to get. Obviously, there is a problem.

Mr Milne: Yes, I think there is a problem. I question whether the person on welfare is really receiving an average

of what the average working person is receiving. Considering the fact that we have a fairly high cost of living in this area, it is just a fact that people are still in need.

Mr McLean: Is there a home here for battered wives, an overnight residence for battered women?

Mr Milne: Yes.

Mr McLean: Do you know what the average of their clientele is?

Mr Milne: No.

0950

Mr Jamison: Thank you for your presentation. I found it very interesting. I would like to touch on certain things in the budget that I think may reflect on the wellbeing of your clientele; for example, tax breaks to low-income earners. I am sure some of your clientele are low-income earners. You have of course mentioned the provincial initiative for 35,000 non-profit housing units. We would like to see a fair share of that here. There was \$32 million allocated for adult literacy, and literacy also equates in the picture, I believe. There was \$32.5 million allocated to the retraining of workers who have been affected. These were examples of expenditures by this government in the midst of a very severe recession. What in your opinion would have been the effect on your clientele, both short-term and long-term, basically long-term, if initiatives like this were not presented?

Mr Milne: I think the effect would be that we would have more clients to deal with, more people who would be struggling. I am not sure that the tax breaks for low-income people even affect some of our clientele because I am not sure they even fill out their tax forms. I think the job training, a lot of that is directed to people who are losing their jobs immediately within the short term. Some of these people are long-term unemployed. They have not been employed for maybe two or three years.

Mr Jamison: Some of those people, I think, would potentially end up being on your list?

Mr Milne: Yes.

Mr Sutherland: If I could just pick on what Mr Jamison was saying about the skills training and what Mrs McLeod was saying, I was wondering if you could just identify the type of skills training that would be necessary for a good portion of your clientele. Are we talking about basic literacy skills, are we talking about people who have a grade 12 diploma or do not, or are we talking about people with college diplomas, university degrees, who need to be in some programs to refocus into a new area of the economy because their current area is in a major downturn?

Mr Milne: No, I think the majority of people we are dealing with are people who do not have grade 12 education—literacy training would be very valuable—and maybe do not have any basic skills as far as employment is concerned.

Mr Sutherland: If I can just pick up on that, what is your sense then, here in the Thunder Bay area, of literacy skills training that is available and how much more do you think would need to be done to start to have a real impact?

Mr Milne: My understanding is that most of the programs—and there are a number of literacy programs available here—have fairly extensive waiting lists. When we looked into trying to get some funding for a program about four or five months ago, we were told there was not any money for that, so now we have to try again.

Mrs Sullivan: I have been very interested in your presentation this morning. It tells of a situation here that is not unlike situations in other parts of the province. One of the things that you have talked about is an approach to emergency shelters relating to annualized funding arrangements. Certainly when the Liberal government brought in some SARC reforms, we thought there would be an improvement in lessening the number of people who required emergency assistance over a period of time and we were pleased, frankly, to see some of the initiatives in carrying on the SARC reforms. What we have not seen, and rarely does the suggestion come forward, is that emergency shelters should be funded on a continuing long-term, annualized basis as part of the Comsoc budget. Would you expand on that to a certain extent and tell us how you see that fitting into existing delivery of services? Should it be paid for 100% by the province? Should the delivery be through the municipality? How do you see that kind of approach working?

Mr Milne: I am not sure I have had time to explore it fully, but I do not think it should be 100% through the province. That would probably be the most effective and uniform delivery, if it was through the provincial Ministry of Community and Social Services. I think basically, from what I understand when I call around the province and try to find out funding arrangements for emergency shelters, everyone sees emergency shelters as something that is always going to be with us. There is always going to be a need for that last safety net. Maybe a portion of their budget should be funded in order to give them some stability in their funding situation. We should be looking at shelters as being the place of contact with people where they have fallen through the cracks from the rest of the system. From there, we can help them move onwards.

Mr McLean: I would like to follow up with regard to—and I mentioned this with the second presenter—the skills training programs. I would have thought that now would be the opportune time to have that skills department in full force in order to get the people who are now unemployed into some of the training programs we used to have. When we built the 23 community colleges in Ontario, I thought that was really what they were going to do, teach skills to our people who need and want to be taught them. Do you think that should be a priority with this government, to get that program back in full force again? The economist indicated that this will come in time, but I would have thought that now would be the opportune time to do it.

Mr Milne: Probably now or earlier. I think it does need to be a priority.

Mr McLean: I think so, too.

The Chair: Thank you for your presentation.

ENVIRONMENT NORTH

The Chair: Our next group is Environment North with Don Smith as president. Would you please come forward and make your presentation on the budget heard to the standing committee on finance and economic affairs. For the presentation you have one half-hour. Out of that half-hour try to keep some time at the end for questioning your brief from the three parties. Proceed.

Mr Smith: I will be very brief, I think. Welcome to Thunder Bay. I do not propose to read through this whole brief since I have the information here that I want to give you on paper. I just want to hit some of the highlights and let you know of all point out that I am representing an environmental advocacy group that is non-partisan, with people from different parties. I will not be pretending to be an economist or speaking on some of the more controversial aspects of the budget. What I want to do is give you a bit of an idea of how environmental advocacy groups saw the budget.

There were a lot of positive things in there, but overall, whole it was not good enough. We feel, and of course we are a specialty interest group, that the environment is an important enough area, with important enough problems sitting there, that it becomes an overriding kind of concern in the province. We expected to see a lot more effect in the budget of trying to deal with environmental problems.

We do want to commend the government on the initiatives that were in there: additional money to expand recycling and composting programs and to extend the blue box to the municipalities. That is of course particularly important in Thunder Bay, the largest municipality in Ontario that still not involved in a blue box recycling program. We last Tuesday night that they voted to ask the province, Ontario Multi-Material Recycling Inc for the money to put a blue box system in place? Of course, it was a bit of a deathbed change of heart since they just became aware of that meeting that it was going to be mandatory on June 1st anyway. Hopefully, some of that money you have in the budget we will still get in the city of Thunder Bay to defray costs.

Another item was increased taxes on gasoline and diesel fuel to promote conservation. We are certainly in favour of that. Global warming, that whole problem, is a very important one. It is one that worries a lot of people. I sort of hate to say this, but coming from the north where we are very dependent on fuel because of distances and whatever, I also have to throw in just a little rider. I think there is a need to equalize across the province, so that when you do this you use some sort of equalizing factors so the north will feel an equal amount of pain as the people in southern Ontario because straight across the board we would certainly be a lot more of the pain. I do not think that is fair.

Our overriding feeling is that when you speak about the economy you have to speak about the environment on the same breath. It is that important. That is what we do not see in this budget. We would like to have seen a number of things done that would indicate that the environment was that important to the government.

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I will just list these since I think they are fairly important: to carry out research needed to establish baseline of

I develop environmental indicators so that change is measurable. Part of the problem is, if you do not have the background information, who is to know when any program you may put in place is helping, is hindering, or what kind of side effects you are having from it? If you do not have the data, you will never know. We feel there should be a comprehensive review of the environmental implications of all existing statutes, policies, programs and regulations and make any changes that are needed.

I am stealing a lot of my background from the information presented to the federal government by various citizen groups in terms of the green plan. One of the points made there was that the federal government was somewhat lacking that although it put a bit of money into energy efficiency whatever, on the other hand it has a number of programs in the area of agriculture that are very detrimental to the environment, and that really offsets. So you have to look at all of the programs in every area. That is what I mean by the overriding importance of the environment. A lot of programs that supposedly have nothing to do with the environment are indeed affecting it in a negative way.

We of course want you to examine all new programs to make sure they are environmentally positive before they are implemented. We think you should build environmental accountability into the budget process so that all expenditures are environmentally positive. We could not really see that that had been done. We would like to see established an independent environmental auditing process similar to the financial audit process we now have. I guess once a year at the federal and provincial levels the auditor gets to come in and tell government what it has been doing wrong from the financial-fiscal point of view. We would like to see something similar environmentally. We would like to see you fund pilot projects to test new programs to discover any negative side-effects before you implement them on a large scale.

The next point I want to make is dealing with economic growth. This is a tough area to deal with because it is difficult to suggest to people in this economy that we should stop growth and they should stop the drive to have more and more consumer goods, but our general feeling is that we have to do that. We have to dampen expectations and we have to stop thinking in terms that we have to have more and more growth. So we would like to see a change in the rhetoric, and that is something the government can do, to provide that kind of leadership role. Of course, not only change in the rhetoric; government can also take solid kinds of actions and be seen to practise what it preaches. You could get rid of all the limousines and drive around Toronto on bicycle. That would be a really symbolic sort of step.

Mr Mahoney: Health care costs would go up because of heart attacks.

Mr Smith: Right. Oh, no, they would come down; exercise is good for you. So government needs to be seen to be taking action in these areas. Fine paper recycling: I assume a lot of that is going on within a lot of your operations. All of the kinds of energy-saving things you should be doing, if you are not doing them yourself, it is pretty

difficult to go to industries or to individuals and tell them they should.

The last point I want to make is economic instruments. The one you generally hear about is the whole idea of a green tax. Take something that is particularly bad for the environment—what, disposable diapers, Tetra Paks, those sorts of things—and tax them hard so that if people are going to use it they have to pay for it. But there are a whole range of sorts of things you can do. Not just taxes; it can be incentives, it can be subsidies. You could list heavy fines as an economic instrument for companies that pollute. There is a whole range of things and it is a very complex area, so I am certainly not going to sit here and suggest examples, because it is too complex, too difficult.

But what I would like to say is that if the Treasurer has not already directed this particular area to his Fair Tax Commission, then we would like to see him do that so that it gets serious review and a look is taken at the best ways to implement these economic instruments, because I believe that is one of the solid things that government has to do to try to solve environmental problems.

Just to conclude, I would like to say that we believe the time is ripe for government to move beyond—and all governments, but this one in particular since it is the one I am talking to today—the lipservice it has been paying to the environment. I believe the vast majority of Ontario residents understand the problems we are in, and they are looking for solid leadership.

Even if I bring it down to a local level I really believe that if we had had to take the whole question of blue box recycling to a plebiscite in this town 75% to 80% of the people would have voted yes, they want blue box recycling. You could hardly have convinced council of that, I do not believe, since it resisted moving this way for three years, and I think a lot of the same sort of thing would go on at the provincial level.

It is not as clear-cut there, but I think that any level of government that takes solid action on the environment will get a lot of support from the people in Ontario, because they understand what the problems are. They want to take solid action and they are just looking for leadership from government.

Mr Sutherland: I want to expand a little bit in terms of some of your suggestions in here. The comment about governments paying lipservice to the environment: I think that is a common view out there and I would suggest that is probably a common view among many environmental groups. At the same time, in terms of balancing that between taking some of the tough action you said, and you are not sure which ones we should—whether that is heavy fines, taxes or that—with the ever-growing cry that seems to come from different types of businesses—they are over-regulated, there are too many things they have to do there—I was wondering if maybe you would be able to elaborate a little more on what options you feel a government can do so it is doing more than paying lipservice in the eyes of the public yet at the same time helping to ensure that we retain our business and that business stays competitive.

Mr Smith: The first thing that pops into my mind is the point that I made about a solid comprehensive review of all the programs you now have in place. It is not just the environmentalists; it is the press that did a bit of an analysis. There actually was a press—I think it was Thomson newspapers or Southam—that got a consultant's group to look at federal programs and to find out that an awful lot of the actual programs that the government had in place in the area of agriculture were detrimental environmentally. I am sure we would find the same thing.

I think it is fair to say the provincial levels, Ontario included, have not come under the same kind of heat that the federal government has, and most of us environmentalists have found the federal government lacking, as you well know. But I am sure that if the same kind of heat, the same kind of inspection was put on the provincial governments, we would find a lot of the same things. So take a good look at the kind of programs you have out there, whether it is spraying in the forests. We had the fight over Bt versus chemicals in the forests, but there are still tons and tons of chemicals being sprayed on the forests and Ontario Hydro is spraying along its rights-of-way.

There are a lot of things going on out there that are very damaging environmentally, and government money is doing it. That is the first thing.

I guess the second comment is the economic instruments. I really do not want to get deeply into that, but I think there is a whole range of them. I think you need strong disincentives, fines for polluters. If you do not have that kind of muscle there, why should a polluter clean up if it can get away with it? So you have to have that kind of muscle there. At the same time you need the carrot. You have to identify the ways you want those industries to go and provide some incentives to help them do it.

Mr Sutherland: If I may just pick up from there, that would lead me to my next question in terms of making the linkage that being environmentally friendly is in the best interest of business. I think of a plant in my own riding, a manufacturing plant that I toured recently, where they went through a complete analysis of the garbage they were putting out and they have been able to reduce their garbage by 80%. They have a painting area, and by purchasing different nozzles they have been able to cut down on the amount of paint they have been using and excess paint. They have actually cut their costs and become more competitive.

It does not seem that we are getting that message out there or that certain industries and certain businesses are responding to that, that this is a way you can be more competitive and be environmentally friendly as well.

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Mr Smith: It is going to take a while, but I think that message is getting out. Probably a really good example across the north—as you all know, pulp and paper is the big industry up here—is that in the pulp and paper industry the discussion right now is around chlorine.

We are, of course, members of the Coalition for Zero Discharge and we are saying to pulp and paper, get the chlorine out. Zero Discharge says, pay attention to what you are putting in the front gates of the plant and that will

solve what comes out the pipe. We are saying, if you do not take chlorine in the front gate you will not be putting the dangerous persistent toxic chemicals out into the water supply.

It is only a matter of years, months maybe, until they get into that. They are into recycling now and mainly it has been public opinion that has forced them in that direction.

In terms of the whole question of persistent toxic chemicals, I believe Germany will not import any paper that has been bleached with chlorine. When that sort of thing spreads, and it will, you are going to have almost a consumer boycott situation; that in order to be competitive these companies are going to have to clean up, and they will because they will make the adjustments they have to make to stay alive.

Mr Sutherland: So you are suggesting economics will dictate that they have to be environmentally friendly.

Mr Smith: Oh yes, economics, I believe, will dictate, but I think there is also a real role for government. I do not think the government should sit back and wait for the marketplace to handle all of this. The government should be playing a proactive role and taking whatever action it can to move it along faster.

Mr Mahoney: I, first of all, want to congratulate the government for really ensuring that these hearings are done with people who share its viewpoints. If you look at the presenters we have had so far this morning and the balance of the list, I think I want to put on the record that this is quite obviously, a partisan sham.

I do have a question, however, having said that. Recognizing your non-partisan role, even though you were an NDP candidate and you currently work for an NDP member, appreciate the fact that you are taking such a non-partisan view of an analysis of a budget that many folks think is very damaging and yet we are hearing accolades this morning that really make my stomach turn.

"The companies will make adjustments to stay alive" was a quote that I just heard you say, and I think they will make adjustments. Buchanan made some adjustments and I wonder what you would say to the 1,600 people who are concerned about the impact of those adjustments. Abitibi-Price are making adjustments with some current layoffs and cutbacks and future layoffs possibly to come and, who knows, possibly even a shutdown.

Is there not a need—recognizing the significance of the environment, recognizing that I think everyone is concerned about the environment—to somehow balance the situation and come up with a long-term plan that allows these companies to survive rather than coming down with what clearly is a Marxist hammer in your suggestion curtailing—

Interjection.

Mr Mahoney: Well, there is no doubt about it. In fact it is scary stuff, I will tell you, when I read headlines "Curtail Economic Growth."

I am quite prepared to hear your answer. I think I probably know it, but what do you say to the people who have lost their jobs? "That's just too bad, and we'll get you a job raking in the forest."

Mr Smith: I suppose I have a bit more faith in the free enterprise system than you do. I believe they can and they will adjust. Actually, one of our leading council members told me last Tuesday night that recycling is responsible for the close of Abitibi-Price. I do not accept that at all. I do not believe that to be so. I take it that is the kind of thing you are saying.

Mr Mahoney: Do not put words in my mouth. You heard what I said, and I asked you, "What do you say to the people who have lost their jobs?"

Mr Smith: You are suggesting that I, as an environmentalist, should have to answer to the people who lost their jobs, and I am suggesting to you that they did not lose their jobs because of environmental matters, they lost their jobs because—

Mr Mahoney: Economic matters.

Mr Smith: —of economics, because of a recession that is presently going on, because of high interest rates, free trade. There are a whole number of issues, as you must well know, that are causing the deindustrialization of Ontario, and I do not believe that environmental factors are very high on that list. If you do, then you disprove me.

Under economic instruments I mentioned incentives and a lot of things. There are ways the government can, of course, get involved in helping industry weather the hard times, helping it adjust, and they are kinds of things we would be doing. That is certainly involved there.

Mr Mahoney: I could probably debate with him all day, but I know Mrs Sullivan has some questions.

Mrs Sullivan: I am shocked that any environmentalist can come before any committee of the Ontario Legislature with praise for this budget and I want to talk about some of the reasons and ask for your response.

In your brief you have indicated that you believe the government should carry out research needed to establish baseline data and develop environmental indicators so change is measurable.

I ask you to think about the municipal-industrial strategy for abatement program, where indeed that very process was undertaken. The government has put that entire program on hold, nothing has occurred, there has been enormous capital investment from the private sector, enormous investment of time and effort from municipalities and from the private sector, including the pulp and paper industry, which is very important to the economy here, and now the Minister of the Environment, with no additional funds in the budget, has indicated that she is not quite sure now or if she is going to proceed on that program.

I ask you to try to explain how indeed this budget can be positive. There is no new money for sewerage infrastructure. The water and sewage corporation, which was designed in fact to lever additional money for sewerage infrastructure, has been left out. The user-pay concept for water has been totally left out of this budget. The only initiative is the blue box program. Where is the positive effect for environmental purposes in this budget at all?

Mr Smith: I think you must be talking about a different paper than the one I presented. I thought what I did was quickly list about six of what I would call fairly small

items that I felt were positive, and I managed to do that in about eight lines, and I spent the rest of the brief pointing out that this government, like most governments across Canada, are paying lip service and nothing more to environmental priorities.

Mr B. Murdoch: First, I would like to just echo Mr Mahoney's comments about this being well orchestrated. Either that or the people of Thunder Bay have no problems with deficit funding, because I can see the people who are coming here seem to be set up by the NDP government. That is fine; I guess that is the way these kinds of meetings go.

I have a couple of questions. You are happy with more taxes on our gasoline and diesel. What do you say to the people who need gasoline and diesel, like our farming industry and especially our tourist industry? It scares tourists away if we have these taxes. What would you say to that? Are there tax breaks you would give to them? How would you sit down with the farmer now and say: "We're going to raise your taxes. You're not making any money now, but we're going to charge you more to go out and cut your crops."

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Mr Smith: I understand the problems it creates for people when we raise taxes on fuel; we in the north feel it much more than people in the south. But I am speaking here from an environmental advocacy position. I am saying that the situation in terms of global warming and putting hydrocarbons into the air is important enough that we are going to have to make those sacrifices. It is just that we are going to have to do it now.

On the other hand, we may want to put in something to protect certain groups. I guess I did make the argument that the north should not suffer any more than the south, so obviously I would like to see, after you bring in these tough measures to stop putting hydrocarbons into the air, that we also try to make the pain be borne equally. I made the north-south argument. I would be willing to accept the argument there could be other groups. You mentioned farmers. You may want to do something to adjust so that they do not feel the pain any more than somebody living in downtown Toronto. But we believe this is so important that we are going to have to take that action. We have to stop putting that kind of pollution into the air.

Mr B. Murdoch: Another industry would be the trucking industry, which the north depends upon. You do not want higher prices here or anywhere else. That is how our goods get to the north and the trucking industry would be affected too.

Mr Smith: I understand the downside, but it has to be done.

Mr B. Murdoch: I may be wrong, but what I get from your brief is that you have no problem with deficit funding, because you basically would like more money put into environmental programs and things like that, but also then you go on to say we should not be pushing for producing more goods and things like that, we should be slowing down. But then I wonder, how do we pay for our deficit funding? If we are going to be deficit funding for the next four years, if the economy does not turn around, then the

government has no way of paying this deficit off. So how do you balance that act?

Mr Smith: It is a tough question and I agree, but I do not really have the answers. I am coming from a special-interest group. I am telling you what I want to see as an environmentalist in there, the kinds of things that I think we need to start doing. I understand there is going to be some pain. There is going to be some pain around Thunder Bay as well as with farmers, but these are things we have to do.

I did not say that I was in favour of a large deficit. You will not hear me saying anything about that in here. I am coming from a group and I do not have any kind of authorization to say that.

It seems to me that if we look under the economic instruments, there were options out there for the government to have collected more money in certain ways. They could have gone after certain items that are environmentally unfriendly and raised some money there. I would have been a lot happier to see them going after disposable diapers or whatever—put in your own environmentally unfriendly items—if they had gone after that as opposed to a blanket kind of taxation that catches everybody. That is what we should be doing.

Mr B. Murdoch: What we are seeing here this morning is that everybody seems to want more money, so would there be any areas you would maybe cut then, to help your area, being that you are for a special interest? Everyone here today has said, "Fine, but we want more money."

Mr Smith: I have not done the work to be able to pinpoint for you areas that would be cut, but I am sure there are some. I guess what I am saying is, having looked at the federal area, I am sure there are lots of areas where there are programs that this government and preceding governments have had in place where they are pouring money out that are environmentally negative. Cut them, stop them, after you do a comprehensive review.

The Chair: Thank you, Mr Smith, for appearing before this committee.

Mr McLean: You stole my time.

The Chair: Yes, he did, Mr McLean. Thanks for attending our hearing here. It was well appreciated and informed.

LAKEHEAD SOCIAL PLANNING COUNCIL

The Chair: The next group is the Lakehead Social Planning Council, and Linda Gambee. You have half an hour for your presentation, and any remaining time will be divided among the three parties for the question and answer period. Proceed, please.

Ms Gambee: Good morning. I am speaking today on behalf of the Lakehead Social Planning Council, of which I am secretary on the board of directors. Welcome to Thunder Bay. I am sure you have heard that this morning, but welcome. It is refreshing to see a government that is taking the initiative to reach out to the people of Ontario by holding these public hearings so that we can participate; the provincial government, three parties together, across the province, on something as important as the budget. The budget

and the economy are important to everyone. Our members and staff appreciate the efforts you took to get here.

The Lakehead Social Planning Council is a dynamic, not-for-profit planning agency which promotes effective, efficient, responsive community services by identifying and researching social issues, providing information and referral services and bringing people together to provide workable solutions to community concerns. The concerns we are working on at this period of time that are important to us are affordable housing, the aging population, unemployment and retraining and poverty.

Our reaction to the budget was mixed. We would like to have seen more funds committed to social assistance reforms based on the Transitions report and that the Transitions report should have been implemented as quickly as possible. At least, more work should have been done towards that end.

Affordable housing is a major problem in Thunder Bay, where the vacancy rate is 0.0% and there are so many families on the waiting list for subsidized housing. It is a myth that those who are on social services are all living in subsidized housing; it is about 10%. The rest of them are all paying market rent here in Thunder Bay. To this end, we are pleased with the provision of another commitment of 10,000 non-profit and co-op housing units, although this does not clearly meet the demand.

During the past week, I have been able to participate in a poverty tent city. Most of you might be aware of what took place in Toronto. I was on one here for the past week. I asked a number of the people who stayed out with me to look at their homes, to go into their homes to see how they rented in terms of affordable housing. These people are getting \$700 a month on social services. They are paying \$500 for rent and utilities and what is left over is what they have for the rest of the month. This has to be addressed.

The recent closure of one of the Abitibi-Price plants and the resulting loss of 400 jobs in our city, not to mention all the other jobs we have lost here, adds to the concerns about the growing number of unemployed in our community. In short, from a social service perspective, the announced expenditures do not come close to meeting the needs of the people.

However, we are coming out of a period of recession which has been hailed as the worst since the 1930s. The present government was already faced with an unexpected and severe deficit before setting any budget. The federal government has cut back on its funding for social assistance programs and has cut many federal government jobs in an effort to control its spiralling deficit.

We commend the present Ontario government for not following that pattern by not giving jobs away, giving them up, and for not freezing wages, which would hurt them disproportionately as well. We have many working poor in this country who are paid at \$5, \$6, \$7 an hour who still participate in food banks and still go to get food wherever they can.

The gap between the rich and the poor in Canada has been steadily widening in recent years. Cutbacks to social programs only serve to widen that gap even more. That is why our organization supports the present Ontario budget in that it has included steps, albeit modest ones, towards

employment, job creation and back-to-work initiatives. We believe that the \$215 million earmarked for social assistance reform is a legitimate, necessary investment in the future of Ontario's neediest citizens, the poor.

Because of the recession, an unprecedented number of jobs have been lost in Ontario. Had the government added to this number by reducing government jobs even more, people would have been forced on to unemployment and then on to social assistance.

Maintaining and enhancing the labour force adds to the deficit now, but again it is an investment in the future. The anti-recession spending package is bringing many needed services and programs to the people of Ontario and particularly to economically depressed regions such as north-western Ontario. Yes, some of the jobs created are short-term, but they will allow people to keep working during the worst part of the recession, and coming out of the recession, hopefully they will be able to gain more employment. It also helps in that consumers who are working spend more than those collecting unemployment.

From the perspective of our concerns with poverty, affordable housing and employment issues, we feel the present budget contains positive measures. No one is happy with increasing deficits, but any budget set by any party in Ontario in 1991 would have been a deficit budget. We hope the present government will continue to work towards a plan for deficit reduction which at the same time will diminish the widening gap between rich and poor in our province.

I want to speak a few moments on poverty. The 10,000 new non-profit and co-op housing units to be built, the elimination or reduction of Ontario income tax for an additional 120,000 low-income Ontarians while income tax will rise moderately for those making over \$84,000, the commitment not to piggyback Ontario sales tax on top of the federal GST and a \$215-million package of social assistance reforms to provide benefits for those in greatest need, which will help people get into the labour force, increases fairness and accessibility and provides relief to municipalities hard hit by soaring welfare case loads.

It is a good start, but it does not go far enough. To be fair, we must stress that we understand that the federal government cutbacks that have tied the province's hands in some cases have hurt Canadians in all provinces, but Ontarians the most. Cutbacks to established programs will cost the people of Ontario over \$1.6 billion this year alone. The result is increased pressure on provincial programs such as welfare and social services which by nature were designed to alleviate poverty.

Poverty in Thunder Bay is a subject near and dear to our hearts with the Lakehead Social Planning Council. When people think of poverty, the greatest majority of people thinking of poverty are thinking of those who live in homes, who have places to stay. We have many people, 100 to 200 people, on the streets in Thunder Bay. They live in the parks, they live under bushes, they live under bridges at the creeks. If they are lucky to get enough to get a room, they get that paid and then they get \$60 a week to live on in Thunder Bay. That is what they are receiving, \$60 a week to live on.

Our social services, because of case loads that are so high, have no movement in terms of counselling. They are no longer social workers; they are intake workers. This has to be addressed. The Transitions report has to be brought in. They have to be given new legislation. It has to be put into place. Poverty should be a number one concern in this city.

1030

The provincial government had to make some tough decisions and choices, whichever government would have been in. It is very pleasing to know that the wellbeing of the people was put first before the deficit. They moved in the opposite direction of any other government. We believe the government made the right choice when it decided to fight the recession this year rather than the deficit. It was the only responsible decision that could have been made by any government.

We would like to thank the government of Ontario for holding public hearings on the budget and providing us with an opportunity to present our views on the economic situation. We all wish to have an economy which is highly productive yet is socially sustainable, an economy in which the benefits of growth are shared freely and fairly.

The budget is a major step in the right direction. We need more. It represents an investment in the people of Ontario to lay the groundwork for sustainable prosperity in the 1990s, and we believe that Ontario will lead the country in economic growth in 1992.

We are pleased that this year you decided to fight the recession in this budget. There are simply too many men, women and children suffering for us to have turned our backs on them.

We brought forth a few recommendations. There are many of them, but we picked out five. The first one is to implement the Transitions recommendations more quickly. Those are not the be-all and end-all, but there are some good things in that Transitions report and they need to be done fairly soon.

We need a commitment to more non-profit housing. The 10,000 units that were given to us are a good start, but it does not nearly meet the demands. We need to put more money into retraining programs for laid-off workers and those on social services. Many of those on social services, particularly single mothers with children, do not have the skills for them to go out to work and that has to be addressed.

We need to put pressure on the federal government to abolish the cap on the Canada assistance plan. That hurts us very badly, and we have to raise the minimum wage much more quickly. We cannot wait for a five-year span for that to come up. It has to be to 66% of the aggregate industrial wage. Thank you.

The Chair: Mr Mahoney has close to seven minutes.

Mr Mahoney: Okay, I will share it with Mrs McLeod. I would like to just ask you some questions on your statements that you commend the government for not following the pattern of the federal government in relationship to its spiralling deficit. Do you recognize that it is not only this year's deficit, which is like an overdraft that gets paid off at the end of the year? The way it gets paid off is that it is put on

top of the debt, which is like the mortgage. This government has shown us a four-year plan of deficit financing.

You refer to it as a plan to reduce the deficit. I find that very creative thinking, but it actually shows a four-year plan of deficit financing that sees the debt, the mortgage, for this province going from \$39 billion last year to \$76 billion at the end of four years, doubling the debt. That is assuming the assumptions the government is making about its revenues are accurate. My sense is it will be \$80 billion, \$85 billion or maybe even \$90 billion in debt that we will inherit.

My biggest concern is that either Mrs McLeod or I would like to be the Premier the next time around and we are going to have to find a way to deal with that debt. How can you say this is a plan for deficit reduction when they are doing it by putting it on top of the mortgage? Are we not, then, going to find ourselves in four years' time in the exact position the federal government is in today, with a mortgage that would choke a horse?

Ms Gambee: As a matter of fact, I did not say this was a budget for deficit reduction. What I said was that it was a budget to help those who needed it the most.

Mr Mahoney: I do not mean to be argumentative, but you say, "We hope the present government will continue to work towards a plan for deficit reduction, which at the same time will diminish the widening gap," etc, etc. You commend the government for not doing what the feds have done.

My contention to you is that if this was a one-year blip in budget financing, perhaps I would not be that concerned, but this government has announced a four-year plan of the same song that is just going to create more poverty. Your children and their children are going to live in poverty because nobody can afford the kind of debt these people are saddling us with. Yet I hear you commending them as being wonderful.

I recognize the fact that you are an NDP supporter and that is fine. No, that is very legitimate. I have no problem with that, and I recognize that fact.

Ms Gambee: I am here on behalf of the Lakehead Social Planning Council. I am not here as an NDP supporter. We believe this budget has helped the poor. We will stick by that as an organization.

Mr Mahoney: So you are not worried about the debt in four years' time?

Ms Gambee: Yes, we are worried about the debt, but we believe it can be handled. If any government had come in—it does not matter which government—and had taken over the deficit that was given to it from the previous government and went into a budget—

Mr Mahoney: Absolute nonsense. We will go to Mrs McLeod, Mr Chair.

Mrs McLeod: Maybe I will take a slightly different approach, and it may be a comment more than a question in the end, Linda, because I approach my concern about the budget sharing the same kind of commitments you have and the social planning council has for the provision of social programs and expanding social equity in our community and across the province.

I completely support the kinds of programs the social planning council is wanting to see enhanced, but as a result of that same commitment, I arrive at a very different conclusion about the budget than you have presented. Perhaps it is because we are looking not just to this budget, which is seen as a factor of a short-term recession, but we are looking towards future budgets and a belief that we are not in a short-term recession, that we are into some very major changes in our economic base in this province and that the projections of future budgets do nothing to begin to address what is a fundamental crisis in our economic situation.

As somebody who is absolutely committed to the social programs you are concerned about, that really worries me, and I say that in all honesty. As social service critic for the Liberal opposition, I was very much a supporter of seeing a continuation of the Transitions report on the social service reform, which we obviously were going to introduce in government.

The focus has to now be on opportunity planning. That has to be the next step, getting people back to work. Because of the unemployment situation we are facing, and I am sure you know, virtually every dollar, with very few exceptions, is going to just manage the increased welfare rolls of people out of work, so there is not a lot of money to put into the opportunity planning programs other than a little bit of pilot project money that is there.

It is understandable that the money is going to keep the social service network, the security network, in place because the dollars are needed there, but it worries me that we cannot get the basis for that economic development that will not be able to sustain the social programs we have now let alone expand them.

That is why I have to, as a social service critic, be concerned about the lack of long-term economic planning, the fact that there is no permanent job creation in this budget or even planned for in the future. It is either job maintenance in the public sector, tax-supported fields, or it is one-term-only, sector-specific job creation for this particular budget period. That worries me as somebody who is concerned about the social programs.

Ms Gambee: I agree there should be long-term jobs there, but jobs that are there for short periods or for contract jobs or whatever, are better than no jobs at all. That is one of our major concerns.

Mrs McLeod: If I could just comment, I think it is important that none of us be drawn into that arbitrary either/or choice. If it is either/or, something is going to be lost and that is frightening. There has to be long-term job creation. If it does not happen we are not going to be able to support the life this province has come to know.

Ms Gambee: But given that we are in a recession, we are not able to say there will not be any long-term jobs that will be given. We cannot project that at this point.

The other thing is, when we talk about social programs and we are worried about the future, well, we are worried about the future but we are worried about the present as well, and it has to be addressed now. We cannot say, "Let's go for four years and let's not help the people who need it because we're going to worry five years down the road."

that is baloney. Let's do it and let's do it now, and they did not. I do not care which government it is. They looked after the people who needed it. We still have to tax corporations, we still have to get money from other people, not from the people who are on the streets.

We have people who do not work because there are no jobs. We have people who have no homes, they have no running water, they have nothing and they need to be looked after now and this budget is addressing that.

Mr McLean: I certainly sympathize with those people in Thunder Bay who are living in poverty. I want to ask you a very simple question: Do you believe that the 5.7% increase the civil servants got—and some of them got 7%—is right at this time?

Ms Gambee: Yes, I do.

Mr McLean: So then you want to give to the rich and not look after the poor, the ones who you have very well dedicated need the help.

Ms Gambee: The other thing is, they got an increase, but their unemployment premiums went up, which helps those who are unemployed as well. Those types of things cost more money to the system. They have been without increases for—decent increases. There are a lot of people who may get 5.7% but they are not making a lot of money; 5.7% of \$20,000 or \$25,000 is not a heck of a lot of money when you look at the cost of living, and many of them do not have cost-of-living clauses.

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Mr McLean: In that theory, then, why would it not be better to give them 15%, because then there would be more money to go into the welfare and the unemployment. Maybe 20% would be better, would it?

Ms Gambee: You are getting ridiculous.

Mr McLean: No, you are the one who is ridiculous.

Ms Gambee: No, this is crazy.

Mr McLean: You agree with the 5.7% raise. We have not had one for three years.

Mr Mahoney: No, we did not get one.

Mr McLean: And besides that, I am a farmer.

Ms Gambee: You are making a lot more than someone making \$10,000.

Mr McLean: One of the previous presenters had indicated there should be an increase in gasoline tax and diesel fuel to promote conservation. Do you agree with that theory?

Ms Gambee: From an environmental point of view, I do; from a poverty position, it is difficult. But on the other hand, those who are living in poverty do not have vehicles. They are lucky to have enough money to catch a bus. So, yes, I do.

Mr McLean: You agree it is a proper thing to increase fuel tax. What do you say, then, to people, the tourists, and specifically farmers—I am one, and I do not know whether you know what farming is like these days, but people who put out the food on your table, I think, should be rewarded instead of penalized. Do you agree farmers should be paying more for their gasoline in the form of a tax?

Ms Gambee: I guess, if there are circumstances like that, our farmers need to be protected. There may be something

that could be put in place to help farmers. I am not sure. I really do not want to comment because I really do not know a lot about the farming aspect.

Mr McLean: Food does not come from Loblaw's.

Mr B. Murdoch: I know in here you congratulated the government, and you and many other ones here today have also congratulated it for bringing this budget on the road, you might say, so that you could comment on it. I would like to point out it took a month of hammering heads against the wall to try to get them to do this, and you may want to put your congratulations somewhere else next time.

Ms Gambee: In all fairness, yes, I agree there was a lot of table slapping or whatever it was to get this to go on the road, but the government did not have to. They have a majority government and—

Mr B. Murdoch: They did not have to, yes, but I wanted to put that—

Ms Gambee: No, I understand that. I think I did congratulate everyone here for bringing it, as well.

Mr B. Ward: I find these public meetings very informative. We are getting a good cross-section of the community coming across and expressing their views. I really appreciate your taking the time to do this, because I recognize this is your own time and you did not have to.

For the new members of this committee, even though we may disagree with the point of view—and I am sure I will eventually disagree with someone, but I will still treat them with dignity. I think the questions should be pertinent to the presentation, rather than getting off track.

We had a week of meetings in Toronto. Provincial organizations gave their views and quite a cross-section of the province has come out in support of the budget, business organizations, social organizations, environmental organizations, labour organizations, and I am finding that in Thunder Bay as well; a good cross-section of the community that perhaps has not had the opportunity to voice its opinion on the budget is in fact coming out and saying we are heading in the right direction.

If in fact we had listened to our critics and had slashed social programs, education standards, health care, and we still had these public meetings, and the social planning council had come out at that time—and depending on where the cuts took place, but assuming it is across-the-board social programs and housing, etc, you would have been here to condemn the government, would you not?

Ms Gambee: Absolutely.

Mr B. Ward: From a social planning standpoint. So you do support the initiative. Perhaps you could expand on your views, to a degree, in answering the critics that in fact we took the wrong direction, that we should not have maintained our social programs, our health care, increased the affordable housing units across the province. Could you expand on how you would answer those critics at this time?

Ms Gambee: Let me just get this straight. What you are asking me is if the critics were to say we are not going to give affordable housing; we are not—

Mr B. Ward: What the critics are telling us is that we should have balanced the budget and reduced our social

spending, reduced our health care, reduced our education standards.

Ms Gambee: My first remark would have been for those critics to be out on this poverty line with me for the last week, with the people who shared the week with me and finally had blankets and pillows, finally had some food to eat, eggs and things that they have not had in years when they were with us.

The other thing, I guess to the critics, just from a heart point of view, is that they have to open their eyes. You have to look at what is there. You cannot look at us in nice clothes and suits. You have to look at what you do not see, and you do not see those who are living in poverty. You have to look at the housing. You have to go into their homes. Take a look at them. Do not just listen to people. The critics come at it from a purely economical point of view and not from a point of view of need and, really, that addresses everything.

Mr B. Ward: This budget is for the fiscal year 1991 and part of 1992. There has been some criticism about potential future budgets. Say our next budget is May 1992, do you anticipate that all of a sudden our social problems will be gone, that we will have full employment, that in fact the problems we are experiencing now will evaporate, or is there going to be a little bit of a continuance—because I know the federal government is calling for a 10% national unemployment rate for the next two years anyway?

Ms Gambee: No, it is not going to go away. It is going to be there. In fact, when the next budget comes up, we will be looking for more, even more than we got in this budget—I like that look—because these things have to be looked after. It is the people of the country, the people of the province who pay for the programs, and if they are not working, if they cannot get employment, if they cannot get the skills, they are not going to be able to participate actively in the province's economy. It is not going to go away. It needs to be looked after, and we will always look for more—like any other group that is here; they are always going to be looking for more. We look at it that the people, the human resources of this province, have to be the number one priority.

Mr B. Ward: Do you not think it is a good investment for long-term economic growth to begin to rebuild our infrastructure, our public buildings, maintain our education standards and, in fact, improve, if possible, so that we have an educated mobile workforce that is highly skilled and, at the same time, attempting to cushion the economic blows that average people are experiencing? Is that not good investment in our future for potential economic growth—infrastructure, education?

Ms Gambee: Education is probably the number one issue that should be addressed, even in terms of poverty. I mean, our children going to school who are malnourished usually drop out or turn to crime, or those types of things, so the structure of education is the number one issue in poverty, besides being able to feed and clothe these people. There is nothing you can say, other than that infrastructure has to be put into place and has to be built on, even more than what we have now. We cannot afford to cut back on education. We just cannot.

Mr B. Ward: That is the key to our future, is it not?

Ms Gambee: It is the key to any economic growth and future, absolutely.

Mr B. Ward: And you cannot really get a handle on the direct benefits that has, but if we do not do it, we are going to be in trouble more so than we are.

Ms Gambee: Yes and no. You can get a hold on it in terms of we are becoming more of a technological society and those who are dropping out of school, particularly because of poverty, are not going to have that expertise, so therefore our welfare load will just increase, increase, increase, whereas if persons can be educated, then they can get a job—maybe not all the time in what they went to school to get, but they still get a higher-paying job.

Mr Sutherland: I just want to say that there are people who agree with you that no government would have been able to bring in a budget without a deficit, and even Mr Mahoney's colleague, Mr Conway, said in the Legislature that he did not think they would be able to bring in a budget without a \$7-billion deficit.

I guess what we are trying to get is a sense of putting a real face on the recession. You can talk statistics; you can talk recovery, but can you give us a real face on what you see?

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Ms Gambee: I am not quite sure I understand the question.

Mr Sutherland: Rather than the statistical perspective, the real impact of the recession on people in their everyday lives.

Ms Gambee: Certainly. I can tell you that a number of people, not only just the last week—I also participated in two forums with the Minister of Community and Social Services and talking to people who are on the system. There are people on this system because of the recession; they have lost their jobs due to federal cutbacks or freezes in jobs or those types of things. They have lost their homes; they have lost their cars. Many of them, because of financial obligations, have lost their wives, or their husbands, their children, and now they no longer live in housing at all. Many of them are in the streets; some of them are in rooming homes.

If you want to put a face on recession hurting, that is not just one or two or three people. We have many, many people.

Mr McLean: Mr Ward has indicated to you that the opposition parties wanted to slash education, slash social services—the opposition people and critics, which was indicated very strongly on this side of the table. Do you believe that would have happened if any other government but the NDP was in power, that they would have slashed all those programs?

Ms Gambee: I think that is a hypothetical question. I am not sure whether they would or not. I do not know if they would have increased it. They may have maintained it at the same level, which is not good enough.

Mr B. Murdoch: Well, I just heard “all these critics,” and I wondered where they came from because I did not hear the critics that Mr Ward must have heard, that we are going to slash all these programs.

I did hear critics say that they did not think that deficit funding was the way to go, and that there is enough money and enough revenue being brought into the government and if it is properly spent, programs could maybe be extended, but not by deficit funding. I think that is what the critics said. He must not have been listening to this well enough. I think that all the governments had been looking over your programs and trying to do the best they could, but I just wonder where do you think this money is going to come from to pay? As you have heard, they are going to double, in the next four years, the deficit. Do you think that by making more poor people we are going to be okay?

Ms Gambee: I am not an economist, so I am not particularly aware of budgets or those types of things. But when you look at a teller who pays more taxes than a bank, there is something wrong in this country. There are obvious places to go and get money. One of your comments I agree with wholeheartedly. Many programs out there could not only be expanded but joined together to eliminate duplication of services. I very wholeheartedly believe in that. There are many programs that duplicate their services that can be joined together so that money could be freed up for somewhere else, but that still is not going to be enough money. I am not an economist. No matter what you say, money had to be spent on social service programs, and it had to come from somewhere.

Mr B. Murdoch: There never seems to be enough money for everyone, as you have probably heard a few other people say here today. Everyone seems to want more money, and that is fine. I guess that is their prerogative. But I think the critics were telling the government that there is money coming in. If it was spent more wisely, they might be able to do a better job.

Ms Gambee: That goes for any party that is in.

The Chair: Thank you for your presentation. Time has run out and we appreciate your attendance here.

IWA-CANADA, LOCAL 2693

The Chair: The next group to come before the committee is the International Woodworkers of America. Would you please come forward and introduce yourselves to us and for records for Hansard. You can begin your presentation. You have one half-hour, and right after your presentation, there will be a question and answer period, depending on the length of your report.

Mr Lorenowich: Mike Skaley was to appear with me, but unfortunately he could not make it. I am John Lorenowich, first vice-president of Local 2693, IWA-Canada. It is not International Woodworkers; it is IWA-Canada.

I welcome this committee to Thunder Bay.

IWA-Canada represents 3,500 working people in north-western Ontario who harvest the province's forests for the pulp and paper industry and for the sawmilling industry.

Our union and the working people that it represents are extremely pleased to see that this government is showing a concern for the people of Ontario, and we believe that holding these types of public hearings across the province is evidence of that concern. My members accept your conduct as an example of the one element that has been lacking

in previous provincial governments, previous provincial budgets, and certainly what is totally lacking in the federal government. You have inserted into your very responsible budget the element that has long been lacking, and that is, compassion.

Our industry faces a number of problems, created largely by the policies of the federal government. We are facing the worst level of unemployment that we have had in the last 50 years. We are facing plant closures in various communities, including Kapuskasing, Thunder Bay and Pine Falls, Manitoba. These have been caused directly by the federal Tory government policies of artificially maintaining the value of the Canadian dollar at a high level so that we cannot export our products into American and world markets at a competitive advantage. The Tory government has done nothing to remove the 15% surtax on our softwood lumber products, which has directly forced the closing or cutback in many sawmills.

We accept as a fact that Ontario has faced and is continuing to face the worst recession that has occurred in this country in 50 years. In the last such major recession, the federal Tory government showed no compassion. They have not changed on this occasion. The unemployment in northern Ontario, being far above the national average, has caused and is causing a great deal of hardship to individuals and to families. We applaud and thank you for having the compassion to include in your budget the expenditure of moneys that will prevent the economy from causing further hardship and to prevent the hardship from causing greater misery.

We appreciate the employee wage protection fund to protect employees who lose jobs and require severance pay or termination pay. Regarding the \$57 million provided for in the budget to assist small business firms, there are sawmills in our area that would not have remained in business had these funds not been available. There are members of ours who are working today directly as a result of the assistance that your budget has given to permit these firms to continue in business.

Our members have been the beneficiaries of the \$32.5 million in additional funding for the training and assistance in finding work for laid-off workers, as well as the \$32-million item in the budget for the funding of adult literacy programs. Our members have been the beneficiaries of that item also.

The children of our members can continue to obtain a higher education as a result of the \$36-million increase in the budget for the Ontario student assistance program. We thank you for the government policy of conducting an audit of Ontario's forest resources and embarking upon a sustainable forest policy.

My members are aware that the Bay Street friends of the Tories have embarked upon a very expensive campaign to attempt to discredit your budget, but we are also aware that many economists have stated that the NDP's \$9.7-billion deficit is not a monster. We are also aware of these economists who state that because of our recession, that is outside of any government's control, any Ontario government, regardless of stripe, would have had to run a deficit or dramatically slash programs. We are grateful to you for

not slashing programs and thereby creating further hardships. As stated by Nancy Riche, executive vice-president of the CLC: "Since 1984 we have had a market economy based on a Conservative agenda. It has not worked."

You have presented a budget that has not followed the Conservative agenda, and has attempted to minimize the hardships that have been created, and has started this province on its path out of the recession. The news media and various pollsters have indicated that there is a crisis facing various politicians in this country; that Canadians are looking for leadership that will restore their faith in a widely discredited political system.

The Ontario budget, which has shown that one can balance the need for fiscal responsibility with compassion, will go a long way to eliminate the crisis of confidence, at least in Ontario. The 3,500 members that I represent will not soon forget the efforts that this government has made on our behalf. I thank you.

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Mr McLean: The audit for the forestry industry: Give me details on that, if you could.

Mr Lorenowich: It will show what is available, and hopefully it can be retained on a sustainable basis once you know exactly what is available. It can be distributed among the companies that normally harvest this product, and it can be retained on a sustainable basis once they know what is out there.

Mr McLean: Is the forest industry planting three for every one tree that they cut now?

Mr Lorenowich: Not quite. They are on the way to that, but they are replacing one for one.

Mr McLean: Is our forestry being maintained? Are we losing it or are we cutting it faster than it is reproducing?

Mr Lorenowich: At the present rate, they are cutting faster than it is reproducing. They are increasing their tree planting. Their silviculture programs are increasing on a yearly basis. It is just about up to where it should be. It is not quite, though.

Mr McLean: How many forestry workers have been laid off in the last two or three years? Is it substantial?

Mr Lorenowich: Probably about 500 or 600 in our local, mostly through automation and sawmills shutting down.

Mr McLean: You say 500 or 600? So there is \$32 million for laid-off workers, for help for them? Is that what you had indicated in your remarks?

Mr Lorenowich: Yes.

Mr McLean: How much would that be for each person who is laid off, on average?

Mr Lorenowich: That is not just for our people; that is for throughout the province.

Mr McLean: Oh, okay. That is right across Ontario, not only for forest workers.

Right. The other question I have is with regard to some of the larger mills. I was reading somewhere not long ago—maybe it was in a magazine—that people have been laid off from different mills and the number who have been rehired in some places is pretty near nil.

Mr Lorenowich: That is correct in the paper mill yes. There is one right in Thunder Bay that is shut down at the present moment.

Mr McLean: The large mill out here, is it? The large one.

Mr Lorenowich: Not CP Forest. CP Forest is running.

Mr McLean: Has their labour force been substantially reduced?

Mr Lorenowich: Not substantially, to my knowledge anyway. We are not connected with the paper mills per se. We are the woodlands. We supply the raw material.

Mr B. Murdoch: I have just two things. One, I remind you, do not give government too much credit for bringing the budget on the road. They did make the final decision but it took quite a bit of head-knocking to get them to do that. I just thought I would remind you, do not give them all the credit.

You mentioned something in there about the small business grants?

Mr Lorenowich: Yes.

Mr B. Murdoch: Could you elaborate a bit more on that? Because I have been looking for small business grants for a lot of businesses that are going out. I thought maybe you could help me. You did mention it in there.

Mr Lorenowich: We did have a sawmill in Sapaw that was shut down. It was shut down for about seven or eight months. There was no way it was going to reopen. We had a number of meetings with the government people. We did receive money. We received—not the local itself but the company—\$1.5 million from the Ontario Development Corp and \$2 million from the heritage fund. That sawmill is now working. That money is being used to revamp that mill into metric. They have to look for an overseas market. Because of that softwood lumber tax they cannot compete with the United States, so they have to look for overseas markets. This mill is now running and there are 144 people employed there. That was lost. It was gone.

Mr B. Murdoch: When you mentioned that, I thought maybe there was a new special fund put up for small businesses.

Mr Lorenowich: No, I think the fund has always been there, but it has been maintained.

Ms M. Ward: Thank you for your presentation. You mentioned you had 3,500 members. In response to Mr McLean, you said about 500 or 600 have been laid off. When?

Mr Lorenowich: Over the last three or four years.

Ms M. Ward: You also mentioned the tax on the softwood lumber. That was really part of my question. You have been feeling the effects for a while, since the free trade agreement probably—or before, because that tax actually came in prior to the free trade agreement.

Mr Lorenowich: That is correct, yes. We have had two sawmills in our jurisdiction that have closed, both Kimberly-Clark sawmills.

Ms M. Ward: Has your membership declined also?

Mr Lorenowich: Yes. We used to have about 4,000 members in this local about three or four years ago.

Ms M. Ward: Do you ever expect to get back to the point where you were in this industry?

Mr Lorenowich: Not in this industry. We have to get it and organize it better.

Ms M. Ward: Yes. The training programs and the adult literacy program should be a fairly substantial help to our members. Actually, some of that is being delivered through unions—the workplace literacy programs and the mills training. The labour movement is quite involved in that.

Mr Lorenowich: You are talking about the basic education for skills training program? We have had that going to two locations and we are looking at starting it up in three or four other locations, right on the work site.

Ms M. Ward: So your members will be learning new skills because there basically are not those jobs to go back to. You do not expect that you will get back to your previous state?

Mr Lorenowich: That is correct, yes.

Mr Jamison: I would just like to come back to where you said this one mill that was helped through the ODC and the manufacturer's recovery program had to retool metric. By that, you had indicated you are looking at other offshore markets for that wood.

Mr Lorenowich: Yes, European markets.

Mr Jamison: Obviously we are into a free trade agreement, if that is what you want to call it, but in this particular case, with the 15% tariff that is placed on your product, what is the effect on your industry here? What is the difference? What difference does that make? Put it that way.

Mr Lorenowich: It makes a big difference. When it first came in, the dollar had a lot lower value. Now you have added the 15%, plus the dollar has gone up a danged lot of cents. That is like putting an extra 25 cents on the dollar in the cost of our product on the American market. They just do not buy it at that price. They have, in turn, reopened a number of their mills that were shut down over the last three- or four-year period and they have just run us out of the market. We have still got about, I think, a 23% share of the American lumber market, but it was up to about 28% or 29% before free trade. It has dropped dramatically, and with that drop there have been a number of closures, not just in Ontario but right across the country, of sawmills.

Mr Jamison: To go on from that, you talked about this plant that was refurbished and over \$3 million invested in new technology and retooling that plant.

Mr Lorenowich: That is right.

Mr Jamison: You also talked about the adult literacy. I want to talk about the workforce for a second. Obviously, like any other workforce, you have a mixture of people here who have different ethnic origins and different educational skills. People who have been there a great number of years may not have their education up to standard for the industry, because there seems to be a grade 12 standard across the board now. Especially in the area of literacy, with the introduction of technology, these kind of things,

without those programs, the training and adult literacy programs, would your workforce have been able to adapt, for instance, in the position of this mill being retooled and technologies being brought in?

Mr Lorenowich: Most of them do adapt on their own, but there are small pockets in each group that just do not adapt unless they are taught. These are the pockets we have been working on at the present time. It has not occurred in that particular sawmill. It has occurred in our woods operations, where we have a number of different nationalities who have taken it to learn just basic English, the rudiments of reading and writing, just enough, as you say, to get along to technological change. We have a number of changes in the woods. Where it was the bucksaw and the horse skidding the wood out before, years ago, now you have fantastic pieces of equipment out there that are worth millions of dollars each. You have to know how to run them.

Mr Mahoney: Just to clarify this—I think there was an attempt to clarify it, but I want to make sure it is on the record as being clear—the sawmill did not get saved by the \$57 million in small business money. The sawmill was saved by the Ontario Development Corp, more specifically the Northern Ontario Development Corp, by a program that was put in place by the previous government. I do not mind at all that you are supportive of this government, but I just want to make sure that when you give it credit for something, it really did it. In this case, they did not. Having said that, I am delighted that the sawmill has been saved. I think that is the important issue and the bottom line.

With regard to the budget, we have yet to hear the details of how that \$57 million will be spent or made available to small business. That information has not been made clear and it would appear that there is some wrangling going on. Perhaps the parliamentary assistant and the advocate for small business could tell us exactly when the money is going to start. He got it in his briefcase. He is now going to release it. Wonderful. This is progressive government at its best. They are just flowing the information out in mounds and mounds of paper.

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Mr Jamison: The brochure has been out for four months.

Mr Mahoney: But you will admit that program did not save the sawmill, I am sure.

I want to question you on the OSAP program, because the head office has been moved here, which again was implemented and initiated by the former government. OSAP is a tremendous program, but we all recognize that there was an 8% increase by this government, contrary to the promise that it had made in the agenda for power that was put out prior to the election—I am sorry, it is the Agenda for People. There was an 8% increase in the tuition fee. How does that relate, in your knowledge, to the increase in the OSAP funding?

Mr Lorenowich: I do not have too much knowledge on that. What we are saying is that programs, as you say, may have been in place prior to this government taking power. Now they have kept these programs. They have also expanded on a good number of these programs, rather

than making cutbacks. I have a son who works in that very building you are talking about. I am very pleased that he is working and he got into that building.

Mr Mahoney: I am sure you are. There was an increase in tuition fees of 8%. That was part of the budget announcement, contrary to what had been promised.

Let me ask you now, as the vice-president of a union, of a local—and I have some understanding of this because my dad was national director of the steelworkers for 26 years and a vice-president of the Canadian Labour Congress. I grew up in the labour movement. I recall the days of Bill Mahoney and Johnny Barker and Larry Sefton and a lot of those good folks when they were very pragmatic in their approach to dealing with the corporations, when they recognized that the best way to protect the jobs for the rank and file in the union, in the local, was to ensure that the company could open its door on Monday morning and perhaps make a small profit on Friday afternoon. The workers would then have a place to work and they could participate and should be paid fairly.

The business community, both small and large, looks at this budget and the long-term debt financing of this government, the projection to double, perhaps more than double, the total debt in this province, the projection to take the debt service, which was at nine cents out of every \$1 under our administration, up to as high as 20 cents, approximating the federal problem, which is now, we all know, totally out of control at 35 or 36 cents, the business community, notwithstanding all the accolades we are hearing from the predetermined deputants here this morning—with all due respect, I appreciate your coming—well, you can wave if you like, but it is pretty obvious when you look at the list here in every town we are going to that this is just a cooked deal going on. That is fine. I think the government is smart for doing it, actually.

But how does the business community, at such odds to what we are hearing here this morning, such total disagreement to what we are hearing here this morning—surely to goodness there has to be some kind of middle ground that says this government is not the latest, greatest saviour of the economy in Ontario. Why are people so afraid of this budget and where are your men and women going to work in the next five years when the debt chokes the life out of the province?

Mr Lorenowich: I do not know how you can say that when James Frank from the Conference Board of Canada says this budget is a confidence builder.

Mr Mahoney: Do you want a list of the guys who are apoplectic over this problem?

Mr Lorenowich: A University of Toronto economist says there is nothing wrong with this budget.

Mr Mahoney: Where are your men going to work, sir? That is my question. Where the hell are they going to work when the sawmills are being shut down? They are going to be on government assistance, for God's sake.

Mr Lorenowich: The sawmills are not being shut down by this budget. The sawmills are being shut down by that 15% tax of the previous government.

Mr Mahoney: This budget stops it, right?

Mr Lorenowich: It has not been stopped as yet.

Mr Mahoney: Open your eyes, sir. With due respect, open your eyes and stop letting the NDP dogma close your thinking on this budget. It is an absolute disaster.

Interjections.

Mr Mahoney: If there is a little pain over there hearing this stuff, then squirm in your seats, guys.

Mrs Sullivan: Mr Lorenowich, you have indicated that the wage protection fund has already assisted some of your workers. To my knowledge, that wage protection fund is not up and running. The legislation has not passed. Indeed, there has already been an announcement from the minister that changes the provisions of the wage protection fund that were announced in the budget. I would like to know how in fact you believe the wage protection fund has assisted your workers.

Mr Lorenowich: I did not say it has assisted them. At the present time, I said we appreciate that being used to protect employees who lose jobs.

Mrs Sullivan: Do you understand how the provisions of that have changed?

Mr Lorenowich: No, I do not. If there has been a recent change, I do not.

Mrs Sullivan: I think you will find it is less helpful than you thought it was going to be.

Mr Lorenowich: It appeared to be very helpful when it first came out. If there have been some changes, we are not aware of them.

Mr McLean: There was 28% being exported from the province. We are now down to 23%. You indicate we are depleting our forests more quickly than they are being regenerated at the 23%. We would have been depleting them a lot faster at 28%, so therefore the forest industry would have come to a standstill closer, years down the road, to an end. Basically, we had an environmentalist here this morning who indicated, with regard to the chlorine the mills are producing—have our environmental policies had any detrimental effect or caused any closing of the mills?

Mr Lorenowich: They have not, as far as I am aware, actually closed strictly because of that issue, no.

Mr McLean: But he indicated this morning they are really going to make this happen, they are going to make the mills take that chlorine—I guess it is coming from the forest before it goes in the front door. What do you say to that comment?

Mr Lorenowich: That is in the paper mill itself. The use of chlorine in the process, right in the paper mill. That has nothing to do with the woods itself.

Mr McLean: But it comes out into the stream, does it not?

Mr Lorenowich: I guess it is discharged into the lake or streams or wherever they discharge it.

Mr McLean: But if he gets his way and tries to stop that from happening, what do you put in place of it? I do not know, I am just asking.

Mr Lorenowich: Apparently there is a new system. I do not know if there is anyone here who represents paper

who is going to appear before you, but there is a new duct at the experimental stage right now that will get rid of the chlorine. They will not have to use it. It is only used for bleaching of the paper, I believe, for the bleaching process.

Mr McLean: Is the other method a lot more expensive?

Mr Lorenowich: It probably is. Initially, they all are.

Mr B. Murdoch: From your brief I am led to believe you agree with this budget, so you must agree with deficit funding.

Mr Lorenowich: Short term.

Mr B. Murdoch: How long do you think your mills could operate in the same sort of manner and stay alive?

Mr Lorenowich: In the short term they can. You can do it over the long haul, and hopefully this government will not have budgets like this over the long haul.

Mrs Sullivan: They have already said they will.

Mr Sutherland: Short term.

Mr B. Murdoch: Unfortunately, they sit for the next four years. They have already presented it, so if you agree with this budget, they also present at the same time that their long-term goals for the next four years would be to double it.

Mr Lorenowich: Four years is not long term.

Mr B. Murdoch: So you think your mills could probably run on for four years deficit funding and stay alive?

Mr Lorenowich: Yes, sure. They have up to this point, ones that are plainly losing money. If you look at the mills, they claim they have been losing money for 20 years and yet they have just been hauling it out of the country apparently.

Mr B. Murdoch: In the meantime you say they have been laying people off, so that is okay, too, I guess; deficit spending and lay people off.

Mr Lorenowich: Our people are getting laid off through technological change. They are still producing the same amount of wood.

Mr B. Murdoch: Not because the companies are losing money, then?

Mr Lorenowich: No.

Mr McLean: I appreciate your comments this morning. The first job I ever had was working in the bush and I can tell you it was not with a power saw.

Mr Christopherson: Mr Lorenowich, I want to thank you very much for your presentation. Unfortunately, we are seeing a little bit of what we saw in Toronto. I thought we were coming out of that, badgering witnesses and trying to discredit them, either saying their political support for one party or another is motivating them to be here and therefore negates anything they might have to say, or trying to portray witnesses as having no idea of real economics and not understanding the issues.

I think it is important to understand that there is a balanced debate taking place in this province about whether we went down the right road. There is not only the Conference Board of Canada, which you have talked about correctly, but there are 59 other economists who signed a statement that started these hearings, saying they supported where we were going. Michael McCracken of

Informetrica, who is a very well respected economist in this province, has also supported the direction in which we are going. It is really not a question of any kind of whacko economics, which is how some of the opposition members would like to portray it, but rather a real, decent philosophical debate on what is important for the people of Ontario and what direction we want to go in.

Having said that, I would just like to correct the record that, to the best of my knowledge, there is nothing in the budget statement that talks about a 20-cent servicing cost on the debt. We are talking about it rising to 12.4 cents, which is quite a bit different from the 34 cents we are now seeing with the federal government.

In light of the two directions that are available, the Mulroney approach to economics and the Ontario NDP approach to economics, there has been some talk here about long-term benefit. What about the long-term foundation and infrastructure of Ontario's economy? I would like to ask you, on behalf of your members, which long-term approach you think is going to serve your members in the final analysis?

Mr Lorenowich: As you are aware by my presentation, we are in favour of the budget. People who are on welfare do not pay taxes. It is as simple as that. If they are out of work, they are not going to pay taxes, and what is the government going to do then? That is the way we see it.

The Chair: Thank you for presenting your brief to the committee.

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NORTHWESTERN ONTARIO WOMEN'S DECADE COUNCIL

The Chair: I would like to call on the Northwestern Ontario Women's Decade Council. Please identify yourselves for Hansard. Welcome to the standing committee on finance and economic affairs on the budget hearing. You have one half-hour. The time left over after your presentation, up to a half an hour, will be question and answer period from the three parties.

Ms Untinen: Good morning. I am Leni Untinen, coordinator of the Northwestern Ontario Women's Decade Council, and this is Brenda Cryderman, our chairperson.

The Northwestern Ontario Women's Decade Council is a non-partisan, volunteer-based organization, composed of members of district women's groups as well as individuals. Its main goal is to improve the quality of life of women in northwestern Ontario in all spheres, economic, social and political. For the past 15 years we have worked on issues and concerns of northern women.

The state of Ontario's economy and the April 29, 1991 budget which addresses the economy is a major concern to area women. For our definition of economy, we would like to quote from a publication called *Getting Started on Social Analysis in Canada*. It is attributed to the United Church of Canada. It reads:

"The economy is something we share in common. It is the way we put together human and natural resources for the good of the common life. It is a vast collective enterprise and is the domain of no particular subgroup in society. It must be marked by justice, participation and sustainability.

It summons us in the time of our stewardship to be good gardeners and partners.

"There is no doubt that we are in a changing world, no longer in a manufacturing age. The information and services sector is growing in size and dominance. Natural resources, once taken for granted and abundant, have now become scarce and are recognized to be finite. Global competitors are making strong inroads into once-secure markets. Small business development is now seen as the panacea for local economic problems and the federal and provincial governments are offering a multitude of programs to train and finance individuals wishing to establish small business. Entrepreneurship, diversification and long-range planning are the key words in current economic development jargon. The emphasis is now at the local level. Communities are encouraged to take local responsibility in addressing their own concerns. Large-scale foreign investors are no longer considered the answer to local economic woes and recognition, access and use of local resources are being encouraged. In such a framework the voice, participation and involvement of women may be given greater credence and attention."

It is with the voice of women that we speak to you today. In order to understand the present status of women living in northwestern Ontario resource-based communities, we offer the following 1989 statistics, based on our research with 956 women from 16 communities throughout the area. Sixty-one per cent of the women were in the labour force full- and part-time; 90% of the employed women work in the traditional female occupation sectors of sales, services, health and education; more than half were high school graduates, with 28% having earned a post-secondary degree, certificate or diploma.

In the previous year, 40% had taken a course related to employment or further education; 56% of the employed women earned less than \$20,000 per year, with only 17% earning more than \$30,000. Eighty per cent of the women were married, with 67% of their partners employed in the community's primary industry, and 84% have children. The traditional picture of the family in northwestern Ontario, as in Canada, is changing. The husband-wife family with only the husband working accounts for only 27% of domestic relationships. The husband-wife family with both spouses working now makes up more than 50% of all families. The single-parent family, 82% of which are female-headed, make up 13% of Canadian families. In the 1990s, one marriage in two will likely end in divorce. Four tenths of families headed by women are poor, compared to one tenth of the families headed by men, and over 72% of the elderly poor are women. Well over a million of Canada's children live below the poverty line.

As the above statistics indicate, many women already live in poverty and many more are only a circumstance away. Economic planning must take into account the changing reality of families in the 1990s, and not be based on the assumption of the traditional family of past generations. Employment and Immigration Canada's report, the Ontario Labour Market, November 17, 1990, states that "Ontario's seasonally-adjusted unemployment rate was 2.1% higher than in November 1989. Since November 1989,

nine out of 10 jobs lost were accounted for by men, reflecting the severe downturn in the male-dominated manufacturing and construction industries." These figures may be viewed as a trend.

This is substantiated by Employment and Immigration Canada and the Ontario Ministry of Skills Development, both of which project that, while the labour force is growing at only half the rate it was during the 1970s, women's participation will increase and account for half of the workforce within the next 10 years. There are severe consequences to this trend, bearing in mind that women earn an average of 65% of male earnings, and 61% of women with at least one child under six participate in the labour force and face costs of up to \$6,000 per year for licensed child care. The shift in male and female workforce participation rates, the disparity in earnings and subsequent disparity in taxable and disposable incomes, and the fact that more women will become the primary income earners, have serious financial and systemic implications for women; for both traditional and non-traditional families for the community; for the region; and for this province.

Despite many concerns from across the country, the federal government entered into the Canada/US free trade agreement. Its intent was to improve the economies of both countries, to strive for full employment and improve living standards, and to strengthen both countries in the international marketplace, with both countries' ability to take measures to safeguard public welfare fully preserved.

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The agreement appears to be falling short of its goal. Canadians were promised jobs, jobs, jobs, and the benefit adjustment programs in the world which, to date, have been undelivered. Ontario's unemployment rate continues to creep higher. The unemployment insurance legislation, Bill C-21, has resulted in replacing insurance protection with the welfare system. In Thunder Bay this past winter welfare payments were up 53% and the case load up 46%. This is consistent with increases in district communities.

Outshopping has become a new Canadian word. The Pigeon River border crossing, which serves the relative small portion of Ontario residents in northwestern Ontario, reported that \$19 million in declared goods were brought across the border in a one-year study period ending July 1989, and it continues to increase. Manufacturers and retailers press for additional concessions in their attempts to compete. Canadian and Ontario companies attempt to negotiate salary and benefit freezes or reductions.

In the meantime, northwestern Ontario women and their families are forced to live with the impact of Ottawa's present economic policies, such as: decreased disposable incomes; the decline in the softwood and pulp and paper markets and subsequent downsizing of the male labour force through layoffs and closures, resulting in the loss of primary income; the necessity for more women to seek employment, and their subsequent transition to the role of primary breadwinners, often on under \$20,000 per year; the social ramifications of the stress of economic crisis in terms of violence, alcoholism, and barriers to participation in community activities due to costs; and the shift in the tax burden from the federal level to the provincial level.

further to the municipal level, coming at a time when commercial and industrial tax base is declining and is resulting in cutbacks to community-based support services. We submit to the standing committee on finance and economic affairs hearing that northwestern Ontario women are very aware of present realities, policies and practices.

Families among the rising welfare recipients, families who with recent business and industry downsizing and closures are experiencing having to rely on the very public assistance system they have for years criticized, know the severity of the recession. Families who are faced with women necessarily becoming the primary breadwinners are beginning to understand that this is not a temporary crisis but a restructuring of our economy along with a restructuring of their family unit. Families where women face barriers to re-entering the workforce due to the high cost or unavailability of child care know the frustration of the recession. Families where the primary male income has been replaced by a primary female income averaging 60 cents on the male dollar know the harshness of recession reality and are now understanding the necessity for pay equity. Middle-income families know the decrease in disposable income that comes with a 42% tax bite out of every additional dollar earned, and a further 8% to 15% added to most goods and services purchased. Families who are forced by necessity to leave the community where they were raised and anticipated remaining, know the pain of the recession.

The Northwestern Ontario Women's Decade Council submits to these hearings that women do not make budget cuts to social spending demands because we do not know, but because we do. Each of us in our daily lives is called upon to balance our incomes and expenditures and to decide for which investments we are prepared to incur debt. We understand the consequences of not adequately budgeting. We also understand, within our family units, which individuals are disadvantaged and dependent and where and why we must share our resources. We are capable, with complete and correct information, of applying that knowledge to society and deciding where we must spend, where we must live, and where we must share.

Women can no longer afford to subsidize the economy through low wages. Pay equity and employment equity are no longer only desired as wage and employment adjustments to ensure women receive equal pay for work of equal value. They are not benefits for what was once considered the secondary labour force, but in fact adequate and just remuneration for the primary labour force.

Pay and employment equity are the cornerstones of Ontario's commitment to equal opportunity and to valuing our labour force. Pay and employment equity are mandatory to the preservation and protection of Ontario workers, Ontario families, and Ontario quality of life.

The Northwestern Ontario Women's Decade Council congratulates the Ontario government for this step, outlined in the recent budget, and it is only a step towards pay and employment equity for all Ontario workers. It comes not at a time when we cannot afford it, but at a time when we cannot afford not to have it in practice.

The people of Ontario spoke to their desire for social assistance reform through the Social Assistance Review Committee's 1988 report *Transitions*. The report was clearly aimed not only at assisting those who are in need but at ensuring that individuals are able to make the transition from dependence to autonomy and from exclusion on the margins of society to integration within the mainstream of community life.

Recommendations from *Transitions* offer alternatives to continued crisis management. We have nothing to gain by waiting to institute these initiatives. The present financial burden of social assistance expenditures only demonstrates that the folly was in having waited as long as we did.

It is difficult to associate the situation of the homeless with the picture of Ontario that is portrayed to the world. The Ontario government must continue to set affordable, adequate housing as a priority. The development of 35,000 units of co-operative and non-profit housing is urgently needed to provide Ontario citizens with their basic need for shelter.

A just and humane society cannot condone or ignore the physical and emotional abuse targeted at three quarters of its population: its women and children. Violence against women and children persists because of unchanged historical attitudes, unequal economic status and unequal power relationships. Women and children must be protected. The government of Ontario must allocate resources and call on the expertise of all who are in a position to assist in order to eradicate male violence against women and children in our society.

The time frame to institute pay and employment equity, adequate child care, affordable housing, social assistance reform, and protection of women and children from violence is not negotiable. The time is now. Fortunately the architects of the 1991 provincial budget chose not to ignore the human toll of the recession they were faced with in preparing their economic blueprint.

We wish to state that we did not find the 1991 budget a particularly encouraging document. It is difficult to respond to with enthusiasm. The Northwestern Ontario Women's Decade Council is extremely concerned with the size of the anticipated deficit and with contributing factors. The inherited \$3-billion deficit following announcements of a balanced budget scarce months before, along with cutbacks from the federal government, left little room to manoeuvre. We are further concerned by increased taxes, which will finance only a portion of the deficit. We are not unsympathetic to concerns and criticisms made by interest groups, including many individuals, organizations and small business. It is obvious that the entire budget process and the strategies in terms of both income and expenditures are inadequate to respond to the realities of the 1990s.

The Northwestern Ontario Women's Decade Council believes that the provincial budget must reflect the environment in which we want to live. We further believe that the budget must be fair to all Ontario citizens.

Moreover, we are concerned with the time and money that has been allocated to this process of responding to a budget that will proceed despite these hearings. We are convinced that resources allocated to this process of criticism

could have been far better used for proactive strategies such as the Fair Tax Commission and to develop a better process of consultation and input for future budgets. Let's get on with it.

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Ms M. Ward: Thank you for your brief. It sounds like you have a very interesting organization that does some very good work in terms of research. I do not know of any similar organizations, although there may be some.

I was interested in a comment on page 4, "Families among the rising welfare recipients, families who with recent business and industry downsizing and closures are experiencing having to rely on the very public assistance system they had for years criticized, know the severity of the recession."

Obviously you are talking about people who have never before been in the situation of having to rely on welfare. There is a great deal of criticism of welfare recipients as being lazy and undeserving and so on. That is not the case then?

Ms Untinen: This is true.

Ms M. Ward: And you have seen a lot of that, people who previously had good jobs, possibly?

Ms Untinen: Yes. In the past winter our welfare officers were telling us that people who never, ever dreamed they would be relying on social assistance were showing up. Situations were such that their UIC had now run out, or they were waiting to qualify for UIC, or that there were women coming in saying that they were separated, because there just was not any money. The welfare officers were quite sure that that probably was not the long-term situation, but forced by economics and needing to feed the kids, that is what ordinary, traditional families were reduced to doing in order to survive.

Ms M. Ward: I do not know whether you have had the same thing here or not, but in Toronto, in certain parts of the press, we have had a great deal of welfare-bashing. One particular columnist and two papers down there have published a series of articles claiming that a family of four would have to make \$45,000 to get the equivalent of what they would receive on welfare, which was not true, as another newspaper pointed out.

I do not think I have too much time.

The Chair: You have about a minute and a half.

Ms M. Ward: I would like to comment on your closing remarks too, about the resources allocated to this process. To a certain degree I agree with you, but we are hearing people, and it is information that is not going to go to waste. I think the Treasurer has indicated that he is interested in looking at a better budget process—the parliamentary assistant here might want to comment on that if he has time—to make it more open, less secretive.

We did have pre-budget hearings also. We were not travelling at that point—

The Chair: Ms Ward, is that part of the question?

Ms M. Ward: It was not a question. I wanted to comment on that. I am glad to see your support for the Fair Tax

Commission, and we certainly hope there are some changes by that.

Mrs Sullivan: Ms Untinen and Mrs Cryderman think this is an excellent brief you have prepared. I am familiar with the work of the council in various areas where you have made presentations to government and committees in the past, and I am very pleased to see this.

One of the things that really struck me in your brief was the indication that there is, probably in this area, a heavier impact because of job loss, which is predominantly male, leaving the income source for the family's female earning lower-level incomes. One of the things that has come up at these hearings—I think you are the first group to raise it—relates to the question of cross-border shopping. We know that out shopping is not a new thing for Fort William, but it has certainly been significantly increased in the past. What we also know is that women tend to be working in the service sector retail operations which are affected by the out shopping issues.

One of the things that we see in this budget are increases in gas, liquor and tobacco taxes that are triggers for cross-border shopping, and I would like some comment from you on where you see action that could and should be taken by the province to deal with the out shopping issues and comments you have in relationship to the effect on women.

Ms Untinen: This is my personal concern about cross-border shopping. I cannot criticize anybody who is going to shop anywhere they are going to get the best bang for the buck. Where I do have a real concern is that people are not paying their provincial tax on those goods they are bringing back, and they are the people who need those services in place, so I think that is one area that is within the provincial jurisdiction where something can be done to adjust that particular problem.

I also think that we need some of kind of resources or impetus to local business people, some kind of assistance to helping them look at whatever sort of unique and different ways they can compete. There certainly are many some cost differences there that cannot be adjusted, but I do not believe that everything everybody picks up in the United States is the bargain they went for. There are a whole lot of other concerns and reasons.

I also think that the free trade agreement was the thing that gave the big publicity to people to go across the border and shop. It was mostly always there anyway, but all of a sudden it was promoted, almost, as some kind of guiding thing for families to do because of the free trade agreement. Whether or not that boils down into the reality of what is happening is another matter, but people got the impetus from saying, "We can run across the border and get all these bargains."

Mr B. Ward: You mean in effect it encouraged it?

Ms Untinen: It is more of a perception of what is out there than reality of what is happening.

Mrs Sullivan: Do you think that the province should in fact draw back on increases on gas, liquor and tobacco tax? Would that be an assistance?

Ms Untinen: It is a tough one. If you have to get the money somewhere, particularly on liquor and tobacco, one of which I pay my tax on, I would rather it was there on something that would particularly hurt people, that were necessity items that were being increased.

Mrs Sullivan: But what if it means that your stores are closing and people are no longer working in them?

The Chair: Excuse me, Mrs Sullivan. We ran out of time, Mr McLean.

Mr McLean: It is a excellent brief and one of the better ones we have had today. I have a couple of questions for it. Do you have a battered women's facility here in South Bay?

Ms Untinen: Yes, we do.

Mr McLean: What would be the average use of it, overnight stay?

Ms Untinen: Overnight stay? There is a maximum use of six weeks' stay if women need to find additional housing. I think the average is around 90%, but often it is over capacity; it just depends.

Mr McLean: What numbers does it hold?

Ms Cryderman: It is licensed for up to 19, and that is including women and children. In the last year it has always had a waiting list, so it has always been at capacity. With change to legislation that they can get priority on housing, we usually have women in and out in six weeks.

Mr McLean: We had some statistics this morning with regard to the use of the soup kitchens and the food banks, and you give us a lot of percentages, but there is none in there which would indicate to me what percentage male or female would be using the food banks. Would it be the single mother? Do you have any idea?

Ms Cryderman: I do not have statistics on food banks, but I do know that many of the women who come to our transition house, until we got them a priority on the housing list—and some of the fund-raising we do, we help them in groceries. We add to their groceries for the last year they are out there.

Mr McLean: But it is mostly females, is it?

Ms Cryderman: It is females with children. There are many male children.

Ms Untinen: That we are seeing. However, I also understand there is a high population of youth and male youth who also use the food banks because there are not jobs for them.

Mr McLean: Would the majority of the soup kitchen be male?

Ms Cryderman: I do not think the majority. I do not know this from Decade, I know this from my work. I used to be a supervisor at family and children's services and we ran the street program. I would say that the soup kitchen and the kids on the street who are getting that thing, still the highest percentage of the people out there are female. I do not see the highest percentage of them being male, but I do not have the statistics and research on that.

Mr McLean: The final question is the increase to the civil servants, some 5.7%, some up to 11% in the budgetary policy, in times such as we are. Do you believe that would be a proper move at this time, for a government to increase salaries of all the civil servants?

Ms Cryderman: I am not going to speak against increasing salaries of civil servants. I am not a civil servant, but I think you have to look at what their salaries were. It is a collective bargaining issue and you negotiate it.

The Chair: Thank you for appearing before our committee. It was quite informative.

Because of the limited time we have this afternoon and our flight to Sault Ste Marie, the best course would probably be for everyone to check out during the lunch hour so that the group is ready to leave without delay when we finish at 3:15. Checkout time is 1 o'clock. The luggage can be stored at the front desk. There is a room up there.

We will dismiss this committee. It resumes at 1 o'clock sharp.

The committee recessed at 1153.

AFTERNOON SITTING

The committee resumed at 1312.

DOUBLE RAINBOW
EXPLORATION SERVICES INC

The Chair: Please identify yourself for Hansard.

Mr Laws: My name is Greg Laws and I am the president and co-owner of Double Rainbow Exploration Services Inc.

The Chair: Carry on with your presentation. At the end, there will be questions divided equally among the three parties.

Mr Laws: My wife and I are co-owners of Double Rainbow Exploration Services. This small business provides computer-related services including word processing, computer-aided drafting and consulting.

Since we rely on contracts principally from the mining industry, the profit and loss statement did not look too good in 1989-90, our first year of operation. In 1990-91, the statement improved for two reasons: One, we were successful in bidding on the contract for services in Sioux Lookout, Red Lake and Kenora; two, we did not pay ourselves any salary. However, we are looking forward to the 1991-92 fiscal year as we have already paid off our Ontario New Ventures loan and repaid some of our shareholder loan.

I will be speaking today in favour of the budget which has come under fire for one reason, the deficit. I will be speaking from the perspective of the small business co-owner who understands the successful use of deficit financing for growth.

There are three key topics I would like to discuss with you today. The first topic is the content of the budget address, some of its futures and its direction. The second is the setting up of a capital fund as outlined in budget paper D. The third topic will be the content of budget paper E, "Ontario in the 1990s."

To summarize, the budget address was all about fighting the recession, not the deficit. The fiscal policy of the federal government is partly to blame for the deficit situation we face in Ontario. Projections show that federal transfers to Ontario in 1991-92 will be \$1.6 billion below previous commitments. The Ontario government had several options to reduce the size of its deficit. Which programs to shut down? How many hospital beds to cut back on? Which shelters to close? By what amount would they have raised corporate or personal income tax? The decision was to maintain the level of services and not to raise corporate or personal income tax.

The provincial government also decided to invest in the future of Ontario, an investment in capital towards infrastructure and assets when other governments in Canada are cutting back.

This decision is similar to that of a contrarian investor. The expectation of a high return in the future motivates the contrarian to invest. I believe this contrarian investment strategy will pay off, that with the co-operation of all the partners involved, the future Ontario economy will be one of the most competitive in Canada.

This budget and its content in style is similar to a business plan. There are two other elements of the plan in addition to long-term fiscal planning. They are setting up a capital fund and goals for the future.

Three parts of the budget address which are of particular interest to me include the incentives announced for northern Ontario, the creation of a Fair Tax Commission and long-term fiscal planning, as I have mentioned.

Budget items important to northern Ontario residents include the allocation to us of 30% of the anti-recession program budget, the intention to sign a new \$30-million five-year federal-provincial mineral development agreement and the addition of \$3.4 million more to improve health travel grant program.

These items will result in direct and indirect benefits for northern Ontario's small business owners. The allocation of 30% of the anti-recession program spending will have a positive impact on many of the economies in northern Ontario communities.

Similarly, the signing of the new Canadian-Ontario mineral development agreement will benefit the mining industry, which is very important to my future. The discovery of new mineral deposits results in many economic spin-off effects.

Finally, a healthy labour pool is an essential ingredient for the success of all small businesses. Increases to the funding of the travel grant program will provide more of the workforce with access to health care.

The creation of a Fair Tax Commission is an important step in a successful economic and social budget for Ontario. The commission will be undertaking the first major review of Ontario's tax system in 25 years. Co-operation from all partners in the process will be crucial. Of interest to small business owners is the proposed minimum corporate tax for Ontario. In fact, perhaps no other issue is more important to us. I would encourage all business people to participate fully in determining their future and not to let differences of opinion interfere with their input.

Fairer taxation also requires acting to prevent further large-scale property value increases through speculation. An Ontario land speculation tax would be important to thousands of prospective entrepreneurs purchasing and renting property. Action taken in the budget illustrates the social democratic idea of fairer taxation. People at the lower end of the income scale will have their personal income taxes reduced; people at the higher end of the income scale will have their taxes increased through an increase in the personal surtax rate. This should come as no surprise. It is a basic principle for social democrats that those most able to pay do so.

In co-ordination with the budget initiatives come long-term fiscal planning. The key items in the creation of a long-term fiscal plan for Ontario are the setting up of a Treasury Board whose mandate would be to carry out multi-year budgeting; the introduction of an expenditure review and evaluation process; the co-operation of the public and private sector in the creation of the fiscal plan.

the co-operation of the public in the form of consultations such as the one in which we are participating today. All these elements of long-term fiscal planning are familiar to business owners in one form or another. A successful business must have a person responsible for its day-to-day management. This person reviews the expenses; this allows strategic planning to take place. Internal external co-operation, particularly with your banker, is important to a successful business. Finally, consultation with your clients on their concerns is essential if the business is to succeed.

Setting up the Ontario capital fund will provide the Ontario government with a new approach to capital investment planning. Budget paper D outlines two types of capital: physical capital, the investment of dollars to create tangible assets; and human capital, investment by the government in its people, particularly through training and education programs.

Physical capital investments are essential to a healthy provincial economy. This budget proposes to invest almost \$1 billion more than the interim budget in physical capital expansion. This investment represents about 16% of the total 1991-92 deficit.

Some of the investment will be targeted for the following industries: Transportation; Colleges and Universities; Health; Environment; Industry, Trade and Technology; Housing; and Energy. What responsible business owner could disagree with the need for these capital investments in Ontario?

There are many examples of how investments such as these benefit Ontario and its businessmen. Investment in transportation allows for more efficient and lower-cost transportation of goods and services. Similarly, the servicing of roads and highways lays the base for more housing and industrial growth.

Finally, public capital spending provides direct stimulus to the private sector. This would include increases in employment within the construction and trade sector, as well as the engineering and services sector.

Human capital investments are more difficult to measure in dollars. However, as outlined in the budget, the key to growth and prosperity is an educated, adaptable, motivated and skilled workforce.

This brings me to some statements on what is probably the most important section of the budget, the Ontario government's goals for the future, as outlined in budget paper E. This document outlines the path by which the Ontario government will achieve fiscal and economic success in the 1990s.

The budget paper outlines two approaches to structural change. The federal government approach to change includes privatization, deregulation, tax reform, such as the GST, and a free trade agreement. According to the budget paper, this path is leading to neither higher incomes, nor to an enhanced capacity to adapt. The provincial government approach, as outlined, will be to play the role of a facilitator of structural change. Further, it will promote development of high-value-added, high-wage jobs through strategic partnerships.

The Ontario government believes that increased equity and co-operation are necessary for sustainable prosperity.

The paper identifies the key to competition in the 1990s as gaining strategic advantage. Gaining the advantage involves introducing innovative processes and products. It further identifies the important, long-term competitive challenge for Ontario. This is the province's ability to address the gap in productivity growth between it and its major trading partners.

The paper goes on to outline Ontario's economic strengths, including its economic foundation, its socially progressive attitude and the quality of its workforce. It also outlines its weaknesses in productivity, innovation and technology development. It points out that strong growth in investment will be necessary, especially if Ontario is to keep pace with technological changes and realize the associated productivity gain. The investment by the government of \$32 million in the technology fund represents the first step in this process.

It concludes by stating that sustainable prosperity is achievable if we consider the growing interdependence of technological, economic and social change. It states clearly for us that a new economic strategy for Ontario must be based on broad social partnerships, and it emphasizes that the government requires the participation of labour, business and community groups for a successful, co-operative approach.

I have spent the past few minutes outlining the content of budget paper E for two reasons: One, its structure and outline puts to rest any suspicions of a secret agenda to destroy Ontario's economy; two, it is in the back of the budget document and it might have gone unnoticed. Some people may not have read past the words on page 3, which state that the government will have an operating deficit of \$9.7 billion. It is these words which have dominated the debate on Ontario's budget for far too long. I urge all Ontarians, and especially all business people, even Conrad Black, to read on past those words on page 3 and take a careful look at the ideas expressed in the various budget papers. Take time to constructively criticize them. Finally, participate in the process which will carry them out. Join in partnership now for a better future.

Finally, I have three recommendations related to small business for your consideration.

Startup incentives for small business operators should be easily available. Special programs and incentives must be available to women, native and disabled entrepreneurs.

Small business loans should be available for startup, operational and expansion purposes. The interest-free period should extend for five years, or until the business is making a profit.

Educational programs must provide managerial and corporate training, in addition to skills training or retraining. Aid in the form of grants or loans to cover the expenses of the educational programs should also be available. Workers, students and unemployed persons who can produce a business plan should be eligible.

As a small business co-owner, I would like to thank the committee for allowing me to appear before it today. Copies of the summary of my brief today and the recommendations presented are available from the clerk.

Mrs McLeod: I will just take a moment, actually, to make two points of record and turn the questions over to

my colleague. It is a little bit difficult to know where to begin, and I would be curious to know the source of much of the information which has been presented.

I would like to concur that there should be a focus beyond the \$9.7-billion deficit, which is the operating deficit in this year's budget, to look beyond that to recognize, with all of the people who have made presentations today who have said there should be a short-term deficit only, that with the most optimistic projections of the government the operating budget will not be balanced until 1997-98. So I agree with you that we should look beyond the first few pages.

The record I would like to note is that when you refer to the technology fund, which was perhaps the one focus for longer-term economic planning that we can identify in the budget, the technology fund was in fact established by the Liberal government. I happened to be part of the council that established it, and the fund was actually reduced in this budget.

With that, I will turn it over to my colleague for some questions.

Mr Mahoney: First of all, business must be fairly slow for you these days, is it? I have looked through this budget, and it would take an incredible amount of time and knowledge to prepare the government's defence as eloquently as I think you have today. I am quite impressed. If you actually did that on your own, you are a very talented young man.

Mr Laws: Thank you.

Mr Mahoney: God would wish, along with I, that you were right, but I have some reservations about it.

If you were to take your business and over the next four years multiply the debt load and the debt service of your business by two, double the amount of capital that you would borrow, assuming you would be allowed to—because governments, of course, do not need permission from anyone other than the Legislature, and if they have the majority of members, they simply do not need permission from anyone, other than themselves, and that is a reality—but if you were able to double debt principle amount and your debt service, is that something you would find intelligent or something you would do?

Mr Laws: I think it would be something I could use right now. Certainly we need to expand and be able to provide services to a broader group of people. That type of thing would be of use.

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Mr Mahoney: Would you have any concerns, though, about the ability to pay it back? The reason I ask the question is that it is obvious if we were to stop at page 3, as you have pointed out, in this budget, it might not be that bad, actually. If we were to say there is going to be a \$9.7-billion deficit this year, we fully recognize that there were many items in the recession, in the ongoing difficulties of the overall economy, many of them created by the federal government, and any government would have faced some serious deficit problems in this province.

But to project it for four more years at an annual—it is very interesting that they keep on saying it is a plan to reduce the deficit, and yet after year one they take the \$9.7 billion and they pay it off by putting it on top of the debt

and the debt goes from \$39 billion to \$48.7 billion. It is a fascinating way to balance a budget. Then they create a new deficit for the following year, and then at the end of the year they balance that by putting it on top of the debt, and the debt is now up in the \$56-billion or \$57-billion range, and they keep doing this and they are borrowing to buy the groceries. How could you possibly survive in the business world if you borrowed capital dollars to run operational expenses? How could you? Do you understand that is what they are doing?

Mr Laws: To borrow money to pay for groceries?

Mr Mahoney: They are borrowing money to pay for the deficit. If you run an overdraft in your business or a line of credit in your business—you would understand that as being a businessman—at the end of the year, if you were to go to your banker and said: "I can't afford to pay off this line of credit. Put it on to the capital debt load of my company. Add it to my debt service and give me another line of credit," what do you think your bank would say to you?

Mr Laws: They would probably not accept that.

Mr Mahoney: They would probably not do that. That is the long-term fiscal planning this government is showing you, and as a small business man you support that, I am astounded.

The Chair: Mr Mahoney, time is up on that.

Mr McLean: I just want to ask some questions with regard to your recommendations, sir. It says, "What business owner could disagree with these recommendations?" I do not think there is a business owner who would disagree with those recommendations at all, but I ask you where is the money coming from to pay for them?

Mr Laws: At this point in time I do not see revenue being generated for this type of expense, but I would anticipate that to pay for this type of initiative the government would have to generate more revenue.

Mr McLean: You said startup incentive grants for small business operators should be easily available, and then you go on and you want loans from Ontario New Ventures and five years interest-free. Could you just imagine the number of people who would be jumping to get hold of those loans and grants? The question I have is, this is hundreds of billions of dollars. Where is the money coming from to be able to give this money, the grants and five-year interest, to these entrepreneurs?

Mr Laws: I do not think it would be just handed out to anybody who came off the street. I think they would certainly have to prove themselves in terms of having a viable business plan, having some business background. I do not think it should be a sort of a welfare payment program. It would be a situation where qualified business people with a plan could apply for those types of things.

Mr McLean: I am pleased we got that clarified, because you had indicated that the program should be available to workers, students and unemployed persons who can produce a business plan. You have clarified that by making sure they are qualified and would be able to have some assets, I would propose, to borrow against, or would

think that they should be able to get this plan without using assets?

Mr Laws: Certainly not, no. When I came forward to bank with a business plan, I had to produce a statement of assets and liabilities for myself as well as for the home, that sort of thing would be required.

Mr B. Murdoch: Just to carry on with that, I notice it is, "The interest-free period should extend for five years until the business is making a profit." Do you mean you could continue on for ever if you are not making a profit?

Mr Laws: No, I guess it should be and/or in terms of years or until they make a profit. If they are making a profit in the first two years, then that interest-free period could be withdrawn.

Mr B. Murdoch: Okay, and you have no problem with making a profit. That word is okay in your vocabulary?

Mr Laws: Oh, yes.

Mr B. Murdoch: I just wanted to know, because in the vocabularies at Queen's Park the word "profit" is not a swear word.

Mr Sutherland: I wonder whose.

Mr Jamison: A profit is a profit is a profit.

Mr B. Murdoch: I wanted to make sure that was okay with you.

Mr Jamison: I noticed that you participated in the startup of your new business in the New Ventures program. That was initiated under the previous government. I wondered, because it is the area I am very interested in myself, about your experiences in dealing with the New Ventures program. Of course you have gone on with other commendations. Have you any suggestions on how to improve that particular program beyond what you have already said?

Mr Laws: It worked fairly well for us. We only had a small loan from them. The largest portion of the capital was the federal small business loan, but we paid it off, I say, within two years. I think the program works very well. The interest-free period, one year, worked out to just about what was good enough for us in terms of we were taking enough money to pay it back within the first year.

Mr Jamison: As a small business person, an entrepreneur, do you feel the budget we developed was sensitive toward the needs of small business in the way that there really were no direct tax increases levied on business at that level? Do you feel there was a recognition on the part of government that business and small business was coming under heavier and heavier pressure?

Mr Laws: No, not really. I think it addressed a lot of issues, a lot of key issues, perhaps more important issues, but I would hope to see more programs directed directly towards small business in the future.

Mr Jamison: There is a diverse kind of conversation really going on here and one thing in it deals with the budget. Of course, the opposition is saying there are ways that we should not have spent \$9.7 billion. Regardless of how we look at it, there was only \$1.5 billion of new spending, and that was under the direction of the Treasurer

to fight the recession. I have been having difficulty in really getting specifics from the opposition, but are there any particular areas where you feel cuts should have been made that would be specific on figures, like in costs? We have not been able to get that out of the opposition at all when they talk about the budget being at the \$9.7-billion level.

Mr Laws: That is the one thing, people pick up on the \$9.7-billion number and really it is only \$1.5 billion in new spending. No, I do not see within Ontario room to make significant cuts in any of the services. Ontarians have come to expect a certain level of health care and those sorts of things, so I do not think there was much room.

The Chair: Mr Laws, I would like to thank you for appearing before this committee. Time has run out and we are a little bit behind as it is. Your presentation was very informative and thanks for attending this committee.

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LAKEHEAD UNIVERSITY STUDENT UNION

The Chair: Could we have the Lakehead University Student Union? Welcome to the committee. Would you inform Hansard who you are, please?

Mr Middleton: My name is Ian Middleton. I am the president of the Lakehead University Student Union. I represent both full- and part-time students at Lakehead University and we have approximately, next year, 4,800 full-time and just over 2,500 part-time students. We are also affiliated with the Ontario Federation of Students and we are Local 32 of the Canadian Federation of Students.

First off, I would like to say that it is good to see a past president of a student union sitting on the committee. It gives me some encouragement that there is life after student politics.

Mr B. Ward: Right party.

Mr Mahoney: We will give you a second opinion on that.

Mr Middleton: I am sure.

The primary focus of my presentation will be on the post-secondary educational system in Ontario, in general across the province and specifically at Lakehead University. There are a few areas of concern. The first is underfunding of the colleges and university system and the second is the increase in tuition fees.

The university system in Ontario has been grossly underfunded for a number of years through successive governments. Enrolment has been increasing; we can look at the levels in 1978 and then at present. In 1978 there were 185,500 full-time equivalent students. This year there are over 250,000. If you look at the amount of funding each full-time equivalent student receives, it is in real terms \$2,273 less than it would be if it had kept up with the rate of inflation. This year the university system, to restore operating grants to their 1978-79 level, would require \$613 million in increased funding, and for colleges the amount is \$130 million. It amounts to about a 30% gap over that period of time.

This lack of funding has had serious consequences on the university system. Ontario, as one of the wealthiest provinces in Confederation, has one of the worst records for funding on a per-time equivalent basis. As I mentioned

previously, this is over \$2,000 less. It is \$800 less than the national average.

At Lakehead University this has created a legion of problems. There is a freeze on the hiring of new faculty, and to quote an internal university study that is being presented to the president of the university: "You will note that our position on budgeting for our human resources needs this year is status quo. This will not be popular, but with our concern for inadequate funding in 1992, we cannot recommend anything further. Obviously, where a number of academic departments are looking to expand, we must seek offsetting reductions elsewhere."

It should be noted that Lakehead this year is expecting record enrolment for the 1991-92 academic year with a freeze in the hiring of new professors. What does this mean? This means we already have a larger portion of our students being instructed by sessional lecturers as well as graduate students, not by full-time professors.

Buildings on campus are falling apart. Cuts had to be made to renovations this year, for instance, to our health services department at Lakehead University. Classrooms are literally bursting at the seams. We also have students sitting in the aisles and standing in doorways for far too many of our classes being offered. What makes Lakehead University one of the fastest-growing institutions in the province is its reputation for offering a high quality of education in an environment where small class sizes are the rule and the professor-student interaction is high. It is becoming more and more difficult for that reputation to be maintained.

We have heard the media talk lately that university graduates do not meet the needs of businesses today in this hypercompetitive marketplace. How can we when some of the equipment students are using is older than I am, and I am 25? An engineer going out to work in the high-tech marketplace today might well have to go through extensive training because she has not had the equipment at her university on which she needs that training. The Treasurer himself has recognized this fact. To quote the 1991 budget, the Treasurer states that, "Public policy that encourages an organizational culture supportive of technology and innovation in the workplace and in society at large will have a positive impact on the province's economic performance."

This must include universities and colleges both in material as well as in human resources. By the year 1999, OCUFA, which is the Ontario Confederation of University Faculty Associations, and the Ontario Federation of Students estimate that 25% of all faculty will be at retirement age. If things continue as they are now, these staff will not be replaced. This is happening at Lakehead currently. You may not see it, but we are in a crisis situation. The average student may not see it, but when they come into my office and talk about not being able to find the resources in the library they need to do their research, when they talk about equipment that is outdated and outmoded as well as unsafe, then they realize the effects of underfunding on the system.

The second element of the university funding crisis I wish to talk about is tuition fees; in other terms, a user fee. Over the last year, despite New Democratic policy, we have had an 8% increase in tuition. This comes on the heels of above-the-rate-of-inflation increases for numerous

years before. For instance, over the last three years, tuition has increased by 24% while the consumer price index increased at a rate of only 16%.

One of the things I, as well as my colleagues across the province, have been calling for is a freeze in tuition fees. The students face a crisis. Students face higher than average inflation for books. We have to rely on public transportation. There are also elements for students in northwestern Ontario that are not faced by other people across the province. People in Geraldton and Ignace cannot attend post-secondary education in their own communities. They must leave. We do have, through the OSAP system, a northern transportation subsidy grant, but it does not meet the real costs, nor does OSAP address the real costs students face in today's world.

It comes down to a level, at least with tuition, that is both philosophical and economic. If you believe universities should not be elitist and only open to the rich, then I think you must support the eventual abolition of user fees.

Education is an investment. It is a long-term investment in the future of this province. We have heard arguments today about who is to pay. If you look at who are the large wage earners in this province, they are the people with post-secondary education. By increasing the pool and increasing the number of people who have those skills, then you increase the tax base of this province. Furthermore, you also increase the ability of this province to compete.

If we continue with user fees we decrease the amount of accessibility for people from lower economic backgrounds, aboriginal students, not to mention people of colour. If we continue, the situation is going to occur where Lakehead University is going to have to refuse qualified applications here in Thunder Bay and also from out of town. I do not want to be the person who has to go to those people and say their son or daughter cannot attend university simply because the university system has not been maintained. It is your duty to do that, and I challenge you to do that.

It is a situation now. It is a crisis. It is pathetic when students come in and have to drop out, go to part-time because they cannot afford to continue. One of the ways, and perhaps the only way, is the eventual abolition of tuition fees.

The New Democratic Party reaffirmed at its last convention its commitment to freezing tuition fees and the eventual abolition. It is you people who will be making those decisions, and I ask you to consider that seriously.

If you look at the situation on my campus where it comes to capital improvements, it has not been able to maintain and keep up with the needed repairs. Ask a disabled student what it is like to get around Lakehead University. They have to use the freight elevator to get to the cafeteria. This is an unacceptable situation. It is barbaric in a society that has reached our level of development.

I congratulate the government for some of the initiatives it has taken. They have addressed some of the needs, but it is not yet enough. Security on campus and other aspects and guaranteed funding for some repairs have been needed and have been appreciated, but much more must be done. We have to look to the future. We have to see that the only way we are to succeed as a society is through the education of our people, and I do not see why it is arbitrarily decided

once you reach grade 13, that is the end of your ability to be educated and that you must therefore pay for it. With plant closures across the province, we have an increasing demand for retraining by workers. We have to do it, and yet we are not doing it. If the government and the committee continues with an attitude that students do not have the ability to pay and have the money to pay, then we are going to be doing ourselves a disservice, and in the long run the only people they are going to be hurting are the people in Ontario.

Mr McLean: You did not mention anything about 60% funding, which was to be reinstituted. What are your comments with regard to that? I remember very clearly that one of the things we have to do is to get back to 60% funding for our education.

Mr Middleton: I am not quite sure what you mean by 60% funding.

Mr McLean: It is amazing how that has changed, because one of the people who was put on the Fair Tax Commission, a former board chairman of Metropolitan Toronto, was very clear that they wanted 60% funding. But when I asked the question in committee, what 60% funding was wanted, she did not know what it was all about. I guess nobody really knew what the 60% was all about, because we are unaware of it. Is that right?

Mr Middleton: I know there was a report issued by the Council of Ontario Universities, which is made up of the presidents of the various universities in Ontario, which I called for an increase in tuition fees to 40% of the actual cost of universities.

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Mr Sutherland: On a point of order, Mr Chair: I believe Mr McLean is referring to funding for the public secondary education system as a 60-40 between the provincial and municipal, and 60% does not apply in post-secondary education, where it is roughly already 80%.

Mr McLean: I do not think you are quite right, but anyhow I am not about to question you. I am more interested now in dealing with the fees that have gone up 8%. There was a commitment that they would be balanced and over time done away with. That is not happening.

Mr Middleton: No, it has not happened.

Mr McLean: What would you say to somebody who told you they would do that and in turn put on an 8% charge?

Mr Middleton: I have choice words and I have used them in the past. A breach of faith I think is probably the best diplomatic way I can put it. We had a great deal of reason to be delighted in September when the election occurred, but we were quickly disappointed. We realized that words and actions are not always the same thing. There was a great amount of disillusionment among university students with the entire system when we had a very strong commitment in policy in something a party had been trying for a great many years and it did not come out in—

Mr McLean: The other question I have is about young students. What emphasis would you place on our skills training?

Mr Middleton: A very high emphasis.

Mr McLean: Yes, I do too. I know when the colleges were instituted, skills development, skills training, was supposed to be one of their main thrusts. What is taking place in this area with regard to skills training?

Mr Middleton: It has become a very difficult situation for the colleges. For instance, at Confederation College they have had to eliminate some programs in computer skills development, and one program in particular that was extremely difficult to see go was for students with disabilities. That program had to be eliminated. It is impossible for universities and colleges to address the needs of society if they are not able to alter programs and to implement new programs. The only way you can do that is by properly funding the system.

Mr Sutherland: It is good to see you again, Ian. The last time was in Thunder Bay, when Lakehead was hosting the Ontario Federation of Students. I am glad to be back here. I should let you know that actually OFS is meeting with the Premier this afternoon to discuss the issues, and I think your comments about the system being underfunded are very accurate. You are reflecting a view we have heard in other presentations regarding post-secondary education, and we are hearing about a lot of issues. We have made some steps but there is still a lot more that needs to be done.

I think the commitment is there in terms of accessibility which, I think we need to remember, is a lot of issues. It is not only financial issues, it is also, as you mentioned, about disabled students and the barriers in terms of physically being able to get around a campus. It is the question of personal security in terms of women feeling safe walking around a campus at night from night classes. Those issues all come into it. It is in terms of having role models with faculty such as for engineering students.

I wanted to ask you a couple of specific questions. First of all, what percentage of students at Lakehead receive student assistance?

Mr Middleton: The last figure I saw, we had the highest percentage in the province. It is very close between us and Laurentian University in Sudbury, and it is approximately 55%.

Mr Sutherland: Okay. The other thing is, as you may be aware, the minister is currently undertaking a significant review of the assistance program and hopefully we will be able to build on some of the changes we saw previously, such as the removal of the primary residence in the calculation of parental resources and input into those decisions. Can you give us a sense, in your time at Lakehead here, of what the difference has been in class size, its increasing nature and maybe a few more comments on its impact on the quality of education?

Mr Middleton: For instance, it is an extra \$131 this year to attend university, just at Lakehead. That is what the 8% means to students. If you look at the job market that we face as students, the jobs are not there. They do not have the ability to go out, work during the summer and save enough money to pay for the rest of their academic year. If you take a full course load it is almost impossible

to hold a part-time job, although many do, and what suffers is their academics.

I have seen a change since I have been at Lakehead, and before that at Carleton University. It is becoming much more difficult for them to make ends meet. You have them dropping down to part-time to be able to supplement their incomes so that they are able to attend university. I was extremely pleased to see under the OSAP system that it is no longer available only for full-time students. It is now available for part-time students. That was an absolutely necessary change, but it still needs more work and the OSAP review—the committee has not submitted its report yet, but it is a very encouraging sign that they are looking at and dealing with some of these issues in the OSAP system.

Mr Sutherland: Could you just comment again on the student-teacher ratio and the growing class sizes, what you feel the impact is on the actual quality of education? Are we seeing here, as we are at other colleges, that you do not have essay-type—

Mr Middleton: It has become absolutely fundamental for a professor to be able to test so you must have a multiple-choice-type question. There is a professor here who can attest to that as well. For a first-year sociology course where you have 250 students it is impossible for those people to go through an essay type of question. So you have a standard, rote, multiple choice and the learning experience is diminished.

Mrs Sullivan: How widespread is that?

Mr Middleton: It is quite widespread.

Mrs McLeod: I have a number of questions. We could spend a long time with it, Ian, and of course I am very familiar with the per student funding issues, having struggled with them for some time myself. There is a fundamental question there about the dollars per student and the size of the enrolments. We have experienced very large increases in enrolment without attempting to limit that. I wondered whether or not the OSAP is keeping pace. As I recall, if the OSAP funding was included in the per student funding, Ontario was actually first or second highest. Do you know whether or not that continues to be the case?

Mr Middleton: There was only a 7.6% increase in funding for the OSAP system last year, and an 8% increase in the actual level of tuition. So it is falling behind, and I have statistics to show that it has not kept up with the rate of inflation. For instance, the Ontario Federation of Students has figures showing that for OSAP to meet the actual needs of a student you need to have on a weekly basis \$233 as the base funding level and it is much lower than that currently. So it is not funded to the level necessary to sustain students. It has improved slightly, but it is still not there yet.

Mrs McLeod: Let me ask about another part of the access question, whether there is a perceived limitation on the enrolment that is effectively taking place. As I was leaving, a study was going on for a new funding formula for the universities, corridor funding, to use the technical term, and I am wondering whether you see that as having

had an effect of limiting enrolments either at Lakehead or other universities.

Mr Middleton: I believe it has fundamentally, because corridor funding creates situations where universities try to juggle their numbers and their BIU. For instance, at Guelph they are actually looking at trying to decrease enrolment by 15%. At Lakehead it was recommended we cap enrolment at 4,500 students, but fortunately we did not cap it at 4,500 students because they want to keep their base income units, the BIUs, at about 8,000. So it creates a situation where universities do compete with another and it also limits access to certain programs because universities receive more funding for more specialized and different types of programs. So if you wish to have a liberal arts education, then universities do not want to see that many liberal arts students come in because they are not counted the same as, say, an engineering student or a graduate student.

Mrs McLeod: I know that OFS will want to watch those per pupil figures very carefully because if there is an effective limitation on enrolments taking place, the per student funding figure will start to look much improved when in fact it is a limitation on accessibility. You raise the issue of part-time students and that many students are having to work part-time and supplement their income.

You could argue the other side of that as being a positive trend for people to be able to access post-secondary education at the same time that they are in the workforce and that this is a positive direction we are going to move more of in the future.

I have had some concerns all along that continuing education students and part-time students are really marginalized in the post-secondary system, so I am encouraged to think there is beginning to be more of that. I am wondering if there is real access for those students in the system as you see it?

Mr Middleton: I think it is still very difficult if you are an individual who wants to come back, say a mature student coming back into the system. The university system was designed not to meet the needs of those people. It was designed to meet the needs of somebody immediately leaving high school, going to school for three years and then getting out.

The realities have changed. The student population has changed. The demographics have changed. People are coming into the system for different things, and because of the structures that are still in place it is very difficult for those people to actually access the type of education that they need.

I would agree that they are being marginalized to a certain extent, although you might think that it is encouraging that people are able to work and go to university at the same time. If you want to get the most out of a university education, then I believe you should treat it like a full-time job because that is the amount of work it demands from you. Actually, it demands more than just eight hours a day. You should be able to do that, and the reality is that some people just are not able.

The Chair: Thank you for your presentation.

THUNDER BAY CHAMBER OF COMMERCE

The Chair: I call on the Thunder Bay Chamber of Commerce to come forward, please. Would each gentleman identify himself for Hansard. We have a presentation half an hour. After your presentation, there will be a period for the three parties to ask questions. As I noticed you just walked in and to give you an idea, if you talk for 30 minutes there is no time for questions at the end. Come.

Mr Ringius: On behalf of the chamber, we would like to thank you for the opportunity to be here today and to give you some input, some thoughts from the northwestern Ontario business community.

I would like to introduce my associate, Jack Mallon. He is vice-president of finance for the chamber this year. He will be making the bulk of the presentation. If there is anything I can help with, I will be jumping in. Our presentation will not take up the half hour. It will follow generally good business guidelines.

Mr Mallon: Hello, everybody. I always try to thank people that come up to our fair community and take a look to see what we are all about. I know you are all busy people, I know this is a mandated thing, but it is nice that you are here and I hope you get to see what Thunder Bay is all about. We up here in the north are always having to inform, shall we say, the rest of Ontario and the rest of Canada just what we are all about. We are a pretty good community and we are pretty interested and a pretty integral part of the provincial Ontario government. So thank you for taking the time in coming up.

We are going to deal with maybe four or five topics. I must also qualify that David is in the insurance business and he is the president of the chamber, and I am in the advertising business, so finance is not what we do every day except maybe read statements from time to time and hope that they are black and not red in our businesses. As part of our role of going through the executive and part of the training of representing the business community here in Thunder Bay, we take on these roles.

We want to start right off, as we have done consistently with anybody that we have had the opportunity of talking about the finances or this type of topic, that we are part of the 280,000 business members of the Canadian Chamber of Commerce across this country, which at our convention last year in Edmonton adopted a policy that we are against deficits of any size with any form of government, municipal, federal or provincial; therefore, we feel as a chamber that you cannot spend your way out of things and that you have to live within your means.

Therefore, we have a program called the Deficit Diet Plan, and if you have not already received that document I have heard about it, if you will let us know we will make sure that you get a copy of it. It is a complete program that has been endorsed by all the chambers of commerce across the country and all of its members. It has been going on for a year and it is just a crusade to tell people that deficit diets, that deficits, are just not the way to go.

With the current situation in Ontario, I know you all have your cases for it, but we just cannot endorse that and we just ask if you can start to work towards non-deficits, because sooner or later these things have to be paid for and our biggest fear is they are going to be paid for by our children and our grandchildren. It is not fair that we enjoy today and penalize the future generations. We are just totally against that as business people. We ask you emphatically, strongly, any way you want to put it, that you please consider that. Deficits are not the way to go. We have to live in this country and definitely in this province within our means. That goes for all forms of government and for all parties.

David, unless you want to add something. We have a complete kit on it and we would be happy to get it to you. I believe we even have a videotape on it, and it is growing quite well and gaining a lot of recognition across the country.

Just maybe one last point. I like the words "living within our means" and that seems to be the message that we are trying to put out. We have got to learn to live within our means. We cannot be pledging the future debt to our children.

I am sure you have heard this next point which is, I wrote down here, taxes. Obviously, I think we have just about had enough of taxes at all levels from all bodies, from municipal, federal, provincial, God knows who else. We have just about had it with the taxes. We, in the chamber, are a lot of the business.

In Thunder Bay we have a membership of around 900 businesses in a town that has about 4,000 registered businesses, and that includes—I own three businesses, but I only have one of mine joining. We feel about 35% to 40% of the chamber of commerce is made up of the local business community. What we are saying is that the taxes are just getting to the point that when new people come to us they say, "Why should we get into business?"

We believe that small business especially is the future. That is what generates the jobs, and I think the statistics will bear that out, and when they start to understand the taxes and their business plans before they go out and get financing or equity financing or whatever, and they start to understand the employer health tax, what is going to come with the OHIP and what is going to come with the high personal taxes and tourism taxes and gas taxes and liquor taxes and everything else, it is just not being as well received or tolerated, I think, as it used to be.

We up here, especially in Thunder Bay and northwestern Ontario, depend a whole lot on the tourism and convention business. The fact is you are sitting in one of the main properties that benefits from that. These taxes are deterring—we are only 43 miles from Minnesota, which is a market for us of a million to two million people, and we are only 500 miles by car from Milwaukee and Chicago, so tourism is very important to us, and these people, when they all of a sudden cross that border they start paying for our liquor and our gas and our hotel and the taxes that go along with it.

I know there are rebates, but how many of those things are actually utilized? When I sat on the tourism development committee for Tourism Ontario, it was mind-boggling to

me how few people sent in for rebates on the provincial sales tax that they paid.

We just ask you to watch the tax situation. We hope that you understand that we are at the limit. David, do you want to add to that?

Mr Ringius: Northwestern Ontario Chambers of Commerce is an association of over 22 chambers in northwestern Ontario, and we meet at least once a year with cabinet. That has been a tradition for close to 50 years. We have met before. Time and time again that point comes forth, the gasoline tax.

In northwestern Ontario, road transportation is our only connection for a number of areas, and that is an area we would certainly like looked at. We were quite surprised after some consultative process that we thought was happening through Northern Ontario Remote Area Communications and Transportation that we have been listened to from that side. That budgetary item that increased the gas tax was certainly a setback to the business community, particularly the tourist industry.

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Mr Mallon: Just to add a couple of specifics to that: One of our vice-presidents is involved with transportation and each meeting that we go to, executive meetings and board meetings, it is amazing. Stuff coming from the west to go down to southern Ontario—they are now shipping it right through the States just to avoid the taxes and the high cost of fuel. It is just now happening.

We all know that CP Rail has made a deal in the States and is bypassing Thunder Bay. Transportation is a pretty important part of our situation. Those are facts and we can verify them. That is what is happening with these taxes. The free entrepreneurs, the business people we represent always seem to find a way around this. I think it is awful that they are finding they have to go through the States and avoid spending their money here.

The other thing that I am not sure you are aware of: In the United States, the way we understand it, the transportation committee of our chamber has discovered that when they pay fuel taxes down there, the money actually goes into road improvements and bridges. We do not do that. It goes into the general fund in Canada and in Ontario.

We have been led to believe that along the lower part of Lake Superior—if you have ever heard of the Lake Superior tour—they are now building a super highway from Duluth, Minnesota, right over to Sault Ste Marie, Michigan. So the tourists that we have been enjoying, coming up here from Ohio and Illinois—and they now come from as far away as Florida, to get away from the heat down there—will they come to Thunder Bay? Will they stop at Duluth and take the super highway across? That is something that is starting to happen, and that has us very concerned as a tourism industry. David is going to handle the next part about the PST and the GST.

Mr Ringius: We certainly applaud the attempt by the government to look at collecting the provincial sales tax. Unfortunately, the route we are taking is probably going to be more cumbersome than it is for cost recovery.

We would like to see, and we encourage the government to investigate a way that the PST, when harmonized with GST, could be revenue-neutral. I know the GST touches a much broader base than the PST does, but I believe eventually, if the GST is here to stay, the quicker the provinces get on side and harmonize the quicker the whole issue will be passed. I think there was a political opportunity to implement it some time ago, and now it is going to be most difficult.

To try to collect it by sending bills in the mail I don't think makes a lot of sense, and I tend to agree with the mayors' meeting along that line. But we certainly would like to see the harmonization of the PST. Hopefully it will help level the playing field a little bit on the cross-border shopping issue. That is also an Ontario Chamber of Commerce policy. It was passed at the Peterborough, Ontario, chamber meeting in May of this year. I would think that would be consistent with the Canadian chamber meeting that is coming up in September. We would like to see harmonization of the PST.

Mr Mallon: It has become very obvious, I think, to a majority of Ontarians that GST is a fact of life. It is enough standing at the border. I cannot believe that people are actually—I think they said they were going to hire new people to give the rebates back or collect the GST. Who are we kidding? Let's get the thing blended. It is starting getting into the 1990s. I think that has to happen.

The next item we want to talk about is your credit rating as a province. Obviously, it is a bit of a spinoff, we think from the deficit situation. I hope you people realize, and I am sure that you have heard this before—if you have not you are going to hear it from us now—that when your credit rating gets affected, so does ours; in a big way. Not only is it just the credit rating that we get, whether it is prime plus one, prime plus three quarters, or prime plus one and a half, it makes it more difficult for small business to go to banks to get dollars, especially in northern Ontario.

We get the spinoff. If the confidence is not there in the credit rating of the motherlode, the province, how can we expect it to be there for the business person? So it has an impact on us. I am just reinforcing that deficit thing. We are all in this together, and if we could just demonstrate fiscal responsibility that goes along with running a province, I think we would all be a lot happier. David, do you want to add anything to that credit rating statement?

Mr Ringius: No, I guess it might tie in to the next part of the presentation which is about the consultative process. We were looking forward to some input. I do not believe there was a lot of input from the business community on the budget. As we found out in an all-party justice committee meeting last week, to which we made a presentation, the chamber of commerce was involved, and the fact was mentioned in the act, but we were not even consulted on the issue.

There were some ramifications there that made us a little leery because it put some importance on the chamber and its role in justifying what qualifies as a tourist operation or tourist business that could stay open on Sundays and whether or not we would vote for a member or a non-member. The chamber's policy is that they would vote

member only. It would have meant that we would be some difficulty with non-members for not playing fully. So we ask that this consultative process continue until it happens before the fact, and not after the fact.

Mr Mallon: The last item is competitiveness. As business people we understand what competitiveness is all about. We want to compete with each other, we want to compete with our American friends, and we want to compete in the marketplace, wherever that is. With high taxes on all these things that we are talking about, competitiveness is our future. It is what is going to create the jobs, or at least a part of it.

What I think just adds to what David was saying. When we are going to do these kinds of things, if you could let us consult. I do not care if it is the Ontario Chamber of Commerce, or whether you have these kinds of things, but let us know what we have to say. Hear us. We may not be able to win, but we would like to get some input into the competitiveness discussion. The last item we wanted to talk about was the handouts, the grants situation. David, did you want to add into that?

Mr Ringius: Our position is that we think we can live without the grants, or at least have them capped. Luxury is enjoyed becomes a necessity. Once people are used to grants, they do not seem to use some of their own resources to get things rolling. The only type of grants we would like to see are those that are directly related to the creation of permanent jobs. If that can be qualified and analysed, then I think we could accept it. We would certainly like to make sure that any grants are of that nature.

Mr Mallon: We also realize there is another component: There are interest-free loans, or those where you do not pay on the principal, to start up new businesses. I think the Nor'Wester Resort is in that situation. I guess they will be creating 100, 150 jobs out there. It is a loan, but they do not have to make any interest payments for a year or two, they get them up on their feet. That makes sense to us. That is some permanency to it. We think that is the way you should be dealing with your grants or your handouts, rather than just giving money. They should be really thoroughly checked.

The other thing is the process. You really have to be involved with that in our business to appreciate how long it takes to go through the bureaucratic nightmare of trying to get a grant. "Really, if you can't afford it," we tell our clients, "Please, don't even do it, because the process is not there to work with a person."

When I walk into a bank on Monday morning, and I want to talk to them about a program, I give them an outline, and I give them a business plan; I tell them what I am going to do, and what we are going to put in, and what we are going to generate for us. The bank I deal with, which happens to be the Royal Bank—if they went any longer than 48 hours, I would probably go to another bank. I talk with you people, it is letters back and forth, and "He's on holidays," and "I can't get there."

It is the same thing with your licensing when new businesses are trying to open up. It is just incredible how long it takes. Not only are we against giving out money just

willy-nilly—I think you should take it more seriously, because you are part of the business community. When you start to work and get involved with businesses and development, you are a part of their business. So rather than have one or two people covering the whole north, why do you not put in some people who are involved—maybe take a page out of the Federal Business Development Bank; they have advisors, retired people who can come in and work.

It is just a suggestion to you. We need each other. We are working together. We will create the jobs, you help us, and I think we will all win.

Mr Ringius: On the recessionary funds that are around to kick-start the economy, I talked with the construction association this morning and their feeling is that the timelines are too restrictive. They have not been receiving any bids for contracts at all because of the time constraints. I asked for the facts on it and they were not able to give me any, but I do not believe recessionary funding is producing the results you wanted from it. I would like you to reassess that, and make sure that those funds are there and that those timelines are not too rigid.

Mr Mallon: That is it.

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Mr Christopherson: I want to thank you very much, gentlemen, for your presentation. We do not always necessarily agree with chamber of commerce presentations, but we always enjoy the manner and the tone in which they are presented, and the professionalism.

My question is along the lines of the last issue that you touched on: the anti-recession program initiated by the government. As you know, we maintain that any government that took over and wanted to at least maintain the existing levels of programs and support services in this province was in for arguably between \$7 billion and \$8 billion. Only \$1.5 billion of the deficit is actual new spending by our government.

Within that is the \$700 million for the anti-recession program. You have already mentioned the time limits and the constraints, and we will follow up on that to see if there are any snags or bureaucratic problems at our end.

In light of the fact that Thunder Bay received a little over \$32 million of that recessionary money—and I understand it went for things like the Port Arthur General Hospital which got over \$200,000; over \$1 million to Old Fort William; almost \$400,000 for Algonquin Avenue School; and a number of other major programs—we have maintained that spending that money kick-starts the economy, but it is an investment in the future. It is an investment in the infrastructure we need to survive in the high value added economy that we are going to be fighting in globally down the road.

In light of the fact that you feel deficits should be avoided at all cost, from the Thunder Bay point of view, do you believe we should not have spent that kind of money here and that it would be more important to maintain a balanced budget or have a reduced deficit, as opposed to spending the money in the areas where we have spent it, with the goals we are trying to achieve?

Mr Mallon: That is a no-win answer, is it not?

Mr Christopherson: I tried not to frame it in a way that is unfair, but it really reflects the approach we have taken and I would like to hear how you would respond to that.

Mr Ringius: I guess our philosophy is that if it is being given out, we want our fair share. It is infrastructure that is being put in place, whether it works through transfer payments to the provinces or how it gets there.

Some of these things, particularly on the school side, are important. And Old Fort William, the investment in tourism, is long-term. However, that gets back to my earlier comments on the funds. Are they doing what they were set out to do? Are they being spent? My understanding is that they are not going to meet the guidelines and therefore the money is not going to be there anyway.

Mr Christopherson: I am not sure that is necessarily the case. We will check that, and if you are correct we will do everything we can to correct it. But assuming that is not the problem, philosophically, what is the priority, the \$32-million investment in the infrastructure of Thunder Bay or fighting the deficit?

Mr Mallon: Since the number was \$700 million, we just got our share at the \$32 million. What were you going to give us, nothing? You put the \$700 million out on the line; that is our share. There are a thousand things you could have put it into and I do not think it is fair that we name whom you give it to.

The fort happens to be something that I spent a lot of my company and my staff time at. The old fort is an organization that has been looked at by all members of Parliament and all different parties over the years because it generates a lot of jobs. The money that went in there fast-tracked some items. If you really want to look at the old fort, \$1 million is just a pimple compared to what it really needs.

I guess really what we are trying to say is, let's not go back on the \$700 million that you have spent. Let's just not do it any more. We cannot afford it. Or if you are going to do it, somebody has to pay for it sooner or later. It is a no-win thing for us. Please just do not throw out the dollars. Sure, we need the stuff. We could give you a list here of a thousand things that we need—the other hospitals, our sewage treatment, our blue box, those kinds of things. There are a lot of good, worthy things that need the dollars. We cannot afford them in this province.

Mrs Sullivan: I was very interested in some of the things you talked about in your brief, including the effect of the gas tax not only on freight but on personal travel in the north. I think that is something we have not had too much information about this morning and it was useful to have it on the record.

I am wondering if you see anything in this budget—you talked about competitiveness—that provides incentives for new capital formation or incentives for increasing productivity or incentives for business development or for permanent long-term job creation, and will have a significant effect in this community over the longer term.

Mr Mallon: Can we get back to you on that? David, did you want to add anything?

Mr Ringius: No. I thought I had something circled on that. Primarily we are concerned about the deficit and we

are concerned about the effect of the gasoline tax on tourist trade. We thought that was a disincentive. We do not see any capital-intensive program there, and along with the incentives that were given out on the recession funding, that is it. So I do not have a comment on that.

Mrs Sullivan: You talked about the effect of taxes. Are you concerned at all about the government's proposal for a minimum corporate tax?

Mr Mallon: Absolutely.

Mrs Sullivan: Would you like to speak about that?

Mr Mallon: I have a question. This is your livelihood, this is not our livelihood, so we took these five and—

Mrs Sullivan: That is fine.

Mr Mallon: Would the minimum tax be on someone who does not make a profit? If I did \$1 million in sales, the minimum tax was 5%, would I get a bill for \$50,000? Is that what you are saying to me?

Mrs Sullivan: We do not know.

Mr Mallon: Whether I make money or lose money.

Mrs McLeod: It has not been decided.

Mr Mahoney: But that might be.

Mr Mallon: I think the structure we have is that if you make profits and you do not reinvest them back in or whatever, you should pay taxes on your profits. I think that is a free enterprise system and it has to be sensitive to income.

I am talking as an employer. I just signed a cheque today. I cannot believe how much it has gone up this year and I cannot believe how many cheques I am signing at the levels of government. It is incredible. It really bothers me. I have never noticed that before. I am proud to pay corporation taxes. In the 21 years that I have run a business and I have 15 people—we have not been able to pay taxes every year. I consider it a victory when we can. I would be proud to pay taxes.

Mr Mahoney: Just on that line, the standard Meech Lake rhetoric, both before the election and even now, is that there are corporations that are not paying taxes for various reasons. They do not discuss the reasons: deductions for research and development or any of that kind of stuff. How does your group react to that kind of statement, that they are getting all the money they need out of the corporate sector?

Mr Ringius: Certainly we would not want all of the tax money to come out of corporations, because it is passed down the line to the consumer and the consumer is going to pay anyway. Taxes are part of your cost of doing business and they affect your bottom line. In discussion on the board level in the chamber was that they were totally opposed to having some minimum tax, providing there was a baseline. We do not mind paying a fair share but it certainly would have to be reasonable, and not all the sourcing of new tax revenue—that should be looked at by reducing programs.

Mr McLean: I think what you fellows should do is get a copy of Hansard today, because there are very few people in this area who agree with your philosophy. We had a businessman who has appeared here and wanted grants for small business, he wants new venture loans

ts five years with no interest. What percentage of business people do you feel you represent?

Mr Mallon: I said that we have over 900 businesses are registered. Using the economic development corporation's mailing list, there are about 4,300 or 4,400 businesses that are on the tax rolls, but a lot of them are owned by the same person. You may have a business to rent the building and one to own the operating company. We have pegged ourselves at about 35% to 40%. I wonder if that person was a member of the chamber.

Mr McLean: I have no idea.

I want to say that the gas tax is another important item. I had a person here this morning who indicated that he has no problem with raising the gas tax and diesel fuel.

Mr Mallon: Who was that?

Mr McLean: We wanted to indicate to him what he thought about the tourism business and about the transportation business, but he is an environmentalist without worrying about tourism. So there are some real concerns here and I am glad to see the cross-section of delegations we are getting, because it certainly is an eye-opener. That is what the process is all about.

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Mr Mallon: Those two people you refer to, do they have the 900 businesses behind them to support what we are telling you today? That is my first question. I would like to get their names so we can go have a talk with them. Maybe we will learn something. We have committees, in the way. What we are giving you is what our transportation committee, what our finance committee, what our environment committee—we have committees with people who are involved on both sides of the tracks, so we would be happy to put those two together.

Mr B. Ward: Do you have an environmentalist group?

Mr Mallon: We have an environment committee.

Mr Ringius: We certainly are sensitive to the environmental issues. There has to be a tying or a correlation between business and environment. After all, we are citizens first. I think every one of us takes the environment seriously, but we also have to stay in business. I can well accept the fact that we as Canadians are probably the highest utilizers of gasoline. If one way to curb that is to drive the price up, I do not know. I think there have to be other developments in transportation that will take the vehicles off the highways. We do not have that infrastructure. Until we have that type of infrastructure in place we have to use automobiles and trucks to get around, and in northwestern Ontario it is trucks.

Mr McLean: It was interesting today. With regard to the increase in gasoline prices that have come along, there has not been one person who has said that the north is being challenged, it is being unfair. I think one person said it should be equalled across the province, but very few people have said anything detrimental with regard to the increased taxation on gas.

Mr Ringius: We have, certainly, through our tourist committee. One of the statistics that we have is that inter-

travel in Ontario is down. I believe that has a lot to do with the gasoline tax. People are not travelling because of that.

Mr Jamison: What about right here?

Mr Ringius: Tourism is up at the border slightly, 21%, but you have to understand where it came from. It does not take many more vehicles to bring it up 21%, so that is a highlight. But that is Americans coming here. What we are talking about is the intertravel from Ontarians to Ontario.

The Chair: I am sorry, gentlemen, but time has run out.

Mr Mallon: I am sorry, you can turn this off, but on the tourism component, our city and the MTR have to be given a lot of credit, because we have a very focused plan now for increasing tourism and it is working.

Mr B. Ward: Up 21%, that is great.

The Chair: We appreciate your presentation here. Thank you very much.

CITIZENS OF ATIKOKAN

The Chair: Do we have the Citizens of Atikokan present yet?

Mr Lindsay: Yes, I am from Atikokan. My name is David Lindsay. This is my brother Bill. I want to thank you for having us here and allowing us to speak. I have to apologize, because I am totally unprepared. I did not find out until Thursday that I was supposed to be here on Monday. I worked Thursday, Friday, Saturday and Sunday, about 14 to 16 hours a day. In other words, I am completely and totally unprepared, but I am going to try to say what I have to say.

The reason I am here is because I am very annoyed. If I have a slip of the tongue occasionally and I say a foul word, forgive me, but I have been working on the water for a long time around men who are more concerned with content as opposed to the quality of their speech and it rubs off on me. I really wonder why these committee meetings are being held. What is the problem with this budget? I have never seen a budget in this entire province that has caused as much trouble as this budget seems to have. The media seems to report every time somebody complains about the thing.

I was not ready to come here on Thursday when I found out about it and I was going to pass it up, but the reason I decided to is because there are some things I want to say that I have to say. What I would like to do right now is just ask a simple question to anybody: Why are these hearings being held?

The Chair: I would say that when it comes to question period you can reply to the members in the three parties, unless you want to go right into question period now.

Mr Mahoney: I think it is a good question.

The Chair: Okay, we will have each party give one definition of it then.

Mr D. Lindsay: Would you like to answer it, Mr Mahoney?

Mr Mahoney: I do not have an answer. I think it is a waste of time, a waste of money. I agree with you. I am here doing my job, but I do not think we should be here.

Mr B. Ward: I think what happened is in the Legislature the Conservatives were having a filibuster which was holding up legislation. They were playing by the rules, because it is allowed, but they were holding up legislation and to break that filibuster—and you can correct me if I am wrong, Bill—it was agreed that these hearings would be heard and we would go throughout the province over the month of August to listen to people's views about the budget.

Mr D. Lindsay: This was just to get the Legislature back on track. Forgive me for asking such a rhetorical question, but the truth of the matter is, there are some things that have to be said. For starters, I work damned hard; I work damned near seven days a week, approximately 16 hours a day. I will give you a quick background of me.

I spent nine years in the service of my country. When I got out of the Canadian navy I found out that it was a lot tougher outside the business than it was inside. I ended up going into business for myself and right now I am a businessman, entrepreneur, whatever you want to call it. I am one of my town's few exporters. I produce a good product and I introduced a new industry to northwestern Ontario and I have taken it from there.

I try to keep up with politics; I try to keep an eye on what you people, our representatives, are doing. From what I see of this budget, this budget is probably the only budget I have ever seen that has actually anticipated what is going to occur. It looked at a recession, it realized that there was going to be a lack of income and that the output for social services would have to be increased. They anticipated it.

A couple weeks ago I heard Don Mazankowski complaining that the reason the federal government was looking at a record deficit this year was because it failed to anticipate the lack of income and the extra payouts in social payments. But there was not one person who argued about what he had to say. There was nobody who complained.

This budget came down; it was totally complained about; the Legislature was stopped. How much money did that cost our government? This is the point I am trying to make. There are certain things that have to work here and there is a smooth way they have to be brought about. I feel that the issue of the budget has been totally blown out of proportion. I do not know who is to blame for that. I suppose it is the media for paying so much attention to it. But I have looked at this budget as closely as I can with as much expertise as I have, which I have to admit is not as much as some economists might have.

I was lucky enough a few months ago to read an article by John Kenneth Galbraith in the *Globe and Mail*. He praised the budget. This is a man who has counselled American presidential administrations on the economy. He is a professor of economics at Harvard. I am sure this fellow knows what he is talking about and he praised this budget. There are a lot of petty complaints occurring because of this budget. This pettiness is being blown out of proportion and it is costing me, a taxpayer, a lot of money.

I see people complaining that there is too much money being spent for social reasons. All I know is that when I was trying to introduce this new technology I deal with in northwestern Ontario, I did not get anywhere. I did not get

any help from the Ministry of Northern Development; I did not get any help from the Ministry of Industry, Trade and Technology; I did not get help from any of these provincial or federal agencies that purport to do that.

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I ran into a confrontational system. I beat it, but I did it at a cost to my family. I had to run my family into poverty for over three years to get my business going because I was not going to let go of the damned thing. I had to go on welfare last fall, that is how bad it got, and I ran into a welfare system that was totally confrontational and antagonistic.

I see this budget, and part of the money for this budget is to reform the system. Now how the hell are people supposed to drag ourselves back up on our feet? How do we introduce new business to this place, introduce economic vitality to this area?

Let me tell you about this area, for you guys who are not from the north. This is the Third World up here. If you guys can sit around in Thunder Bay or wherever, and you go out of Thunder Bay 30 or 40 miles and you are in the Third World. You are looking at a Third World economy where big money comes in, extracts our resources, leaves, and leaves nothing behind.

I live in Atikokan. Atikokan has two of the biggest holes in the ground that exist in the entire world as testimony of this. They do not even have a park in that town for women to take their kids to in the summertime. That is what we put up with up here.

I have looked at the different social aspects of this budget, where people have complained that too much money is being spent on social spending, and from what I see, the reform that is going to be made because of this budget and the extra costs that are going to occur because of this budget are to help people like me. I am a Canadian. I believe in this country. I am going to stay here and I am going to fight it out. If not, I would have gone to the United States long ago. I have had offers to go to the States and work, but we have a good country. I seriously believe this budget is in the right direction.

Another point I want to make is that if I were to use an analogy, I would look at all the people of our province as a family, and there are so many mouths to feed. Suddenly the amount of income that you are used to is cut off and slowed down and you have to make some hard decisions. What are your options? First, you have the option to starve feeding certain mouths. With hard, stone-cold people, it tends to be the smallest and the weakest members of the family who are kicked out and told to fend for themselves. Or you could reduce everybody's feeding and share it. Or you could go into a deficit position and just keep feeding everybody and keep them healthy and keep them strong because you know that the family, if it is held together during this rough time, will stay strong and carry on into the future. It is as simple as that.

When I look at this budget, that is what I see happened. The government that is in place right now was chosen to help the people of this province during a rough time in hopes of better times. Whether those better times come or not, I do not know. I have been reading so

dark and gloomy things about this recession and it has been carrying on. I have been reading that companies that are shutting down and layoffs that are occurring are not temporary, that these things are really permanent problems and that we are going to have to get used to them.

I am at a standstill here. Give me a moment to refer to my notes. These notes here are not really notes, they are just chicken scratches I threw down on my way here.

The Chair: What we could do is, the three parties can ask questions and you can give the replies of how you feel about different particulars. We will be asking the questions and maybe that will get you on track, because we have five minutes for each party for asking question on all of the budget effects. That was the idea of these hearings when they first came out: How does the budget affect you?

Mr Mahoney: For someone who was not prepared, I think you articulated your concerns and your positions very well. Let me just expand, if I can, on the comments about your first question to us: Why are we here and why are we spending all this money talking about the budget? As a party, we orchestrated our own tour of the province through our own caucus services facilities, went out and talked to people and invited people from all walks of life to come and talk to us. I think we wound up publishing a report which was very substantive and helpful for us to understand the budget and for the people we talked to to express their concerns and/or their support. We actually talked for both and found, in some cases, that there was both. I want to take your analogy of the family a little bit further, though. You say you do not understand what is going on with the budget and you were not prepared until somebody called you on Thursday. Who was that, by the way, who called and asked you to appear?

Mr D. Lindsay: I am trying to think of her name right now. I cannot. She was from Toronto.

Mr Sutherland: Monica Marshall?

Mr D. Lindsay: I think it was a McLean-type name.

Mr Mahoney: Al McLean? Somebody from Queen's who called and asked you. Why would that be?

Mr D. Lindsay: I was at a social gathering a few months ago.

Mr Mahoney: A political gathering?

Mr D. Lindsay: No, it was social. Somebody who I suspect was probably pretty political approached me and started talking about the budget. He pulled this out and said, "If you have something to say, here, sign this and I will send it in for you." That is what occurred. I had kind of put it behind me because I am going through some very difficult times in my business right now.

Mr Mahoney: With that aside, let me ask you then about the family analogy. How long can you carry on with this? One of the real concerns I have is that notwithstanding the fact that I think we could be doing more productive things for the people of Ontario than what we are doing on this tour, notwithstanding that fact, now that we are here, we should try to accomplish something.

One of the big concerns I have about the budget is the fact that if each year you ran your business the way this government is planning its years in office, your business would not be around at the end of that term. Plain and simple, what they are doing is taking the deficit, which is an overdraft, and, at the end of each year, paying that overdraft off by putting it on top of the debt, which is the mortgage, and then they are borrowing some more on an overdraft and doing it again next year. The total debt the provincial coffers face will rise from \$39 billion up to a minimum of \$76 billion, unless their revenue projections are high, which I think they are, and then it could be \$80 billion or \$85 billion. You could double the debt in the first term of this government.

Then there is your debt service. You understand. You are a businessman. You have to pay the loans, you have to pay for that debt, so in four or five years you are going to go from carrying a \$39-billion mortgage and the payments that takes to carrying an \$80-billion mortgage and the payments that takes. It is double.

Mr B. Lindsay: May I say something?

Mr Mahoney: Is that good long-term fiscal planning and is that how you would run your business? I do not mind if one or both answer the question.

Mr B. Lindsay: First of all, an analogy should fall on friendly ears to work. Second, I think we made that clear in that this government's budget has prepared for these things, has prepared for recessionary times, has prepared for a deficit.

The present government in Ottawa and other provincial governments which have jumped on this budget-cutting bandwagon have not prepared and are showing up now with "unforeseen" deficits which have to be taken care of exactly the same way your projected deficits for this province will have to be taken care of. So our question is, which is better?

Mr Mahoney: Oh, I do not use the federal government as an example of fiscal responsibility, believe me.

Mr B. Lindsay: It would be unwise to do so.

Mr Mahoney: I certainly do not, but what you are facing with this is the same kind of mentality, with huge deficits each year being paid off by simply placing them on the capital debt of the province, gentlemen.

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Mr B. Murdoch: First of all, I would like to say I do not think it is a waste of time being here and listening to you people and all the other people who have been here today.

You asked a question to start. I felt it was better to answer it when the questions came up than get into a discussion then, but Mr Ward basically explained what happened. Our party did not go along with deficit funding and we felt it was not a good budget. We felt the people of Ontario should have a chance to tell us whether they felt it was a good budget or not, when it was such a drastic change from what we had been used to.

This is the process by which you bring government to the people. That is why we do have committees, and this committee is here to hear the concerns of the people. It is

ironic enough that at least five of the presentations we have had, five or more, have all congratulated the government for doing this, so some people do like the idea of this coming here. Whether you do or not, well, that is your business. But that is the reason we are here.

Government costs money. That is understandable. If you are going to have government, you are going to have to pay for it. If you have democracy, democracy is not free either. It costs money to bring committees out to Ontario. Ontario is a big place. That is the reason we are here.

I would like to ask you, though, just to go back to what Mr Mahoney said, could you run your business in a deficit every year? Is that good fiscal responsibility? How would you stay in business? I would like to know, and I am sure this government would like to know also, how you are going to stay in business if you run a deficit every year.

Mr D. Lindsay: I have been running a deficit since I got out of the navy seven years ago. What results is you pay your debts off when you get the chance to pay them off, and the way you end up paying them off is by reducing your spending elsewhere. You start driving an older car instead of a new car. You start driving less far and less extravagantly than you did before. You start eating moose instead of beef. You use firewood instead of oil or natural gas. All of these things contribute to a lower standard of living.

What I have watched in our government is nothing but extravagant spending ever since I became politicized. I never became politicized until I got out of the navy and I wanted to know why the hell I could not get a God-damned job. It was as simple as that. I also wanted to know why there were so many damned poor people in this country. I was wondering why I was becoming one of them very quickly.

Mr B. Murdoch: That is what we wanted them to do, you know, to look at their budget. They bring lots of money into Queen's Park. We are saying they do not have to go into deficit funding and they could have kept up the same programs and maybe looked at what they were doing, exactly like you said. Unfortunately, down our way moose would cost more than beef in Toronto, but other than that, I think we could have done some of the things you are talking about. But they chose not to do that. They chose to put more money into the budget and deficit funding.

Mr D. Lindsay: This still does not detract from one of the original things I said. This is going to be a deficit budget, yes, but they have anticipated that and they are preparing for it. There is not a government in this country that I have seen that has done that, that has come out and said, "We're going to do this." What we have is a federal government that says it is going to GST us and that is going to be used to kill a deficit, but the deficit is increasing at a record rate this year.

In regard to government spending, the example I tried to show you was that if I have to reduce my spending to pay my debts, then I start driving older vehicles and I start doing more manual labour and things like that. That is where we have to cut. We have to become more efficient. What I see in our government, what I have seen, as I said,

in the past seven years is the fact that there are a lot of inefficient uses of money in the government.

Mr B. Murdoch: I agree with you.

Mr D. Lindsay: I have talked to people from SA because they were concerned with what I went through because I had one hell of a time with the welfare system. My family was down and out. We tried to get welfare, all they said to us was, "Sure, go ahead and sell your business and we'll let you go on welfare." I had \$1500 worth of fish sitting in the water and this is the way I looked at it. The fish were unsellable because they were too small, but that made no difference to them. They were very antagonistic towards me. These are the things that have to be changed.

There are training programs that exist in this province and in this country which are nothing but a façade. They are posters on the wall and they do not go any further than that. I am serious about that. I came out of the navy and was trained to the degree of damned near an engineer and could not tap into any one of those programs to get training. It was as simple as that. I had to revert to minimum wage jobs, working on dangerous sites.

When I look at this budget I see that all these problems I ran into while trying to survive in this country since I left the skirt of the Canadian navy, which had taken care of me all these years—and when I say survive, I mean it; survive—I ran into all those problems—when I look at this budget appears most of these problems are going to be addressed.

If you want to judge the budget, you have to wait around and wait for a few years and judge it then. But for right now, as far as I can see, it is a good budget. As for the deficit, this government seems to be on the right track of reducing the deficit and the cost of government. I am sorry; I should not say reducing the deficit. I should say reducing the cost of government.

The Chair: We have to get down to the last question from the government.

Mr Christopherson: Thank you, gentlemen, for probably one of the most passionate, articulate presentations we have had so far. It is certainly heartfelt, and we thank you for that.

I think it is also important to clearly establish and recognize, in terms of how we got here, that while it is the third party that held up the House to ensure it got the demand that these budget hearings take place, it is interesting to hear the official opposition now take such a strong line on whether they should or should not. At the time I think they were balanced nicely on the fence and were not taking a position.

We make no bones about the fact that an arrangement was made. The Tories had a legitimate legislative right to do what they did, but they have to bear responsibility for that. We then negotiated that a number of other pieces of important legislation would be moved through the system and that we would go into these hearings.

I would say they probably did the right thing for the wrong reason, because in the final analysis, most people coming in are saying they appreciate the chance. I think of us from all the parties will reflect, when we are done

er this is something we should do after every budget, er there is an actual return. I think we need to be opened about that and set aside the politics of the issue.

ly question to you, sir, is very direct. The philosophy, usly, that we have followed is what is called Keynesian mics, where you increase spending during rough times d the family, to use your example. The other side of that ion is that once you are through the rough times and is enough income to ensure that the basic needs of food, re met, you begin to cut back on some of those other where you now can do so without hurting people.

your opinion are Ontarians, particularly those from orth and the northwest, prepared to accept, as we start engthen as an economy, that those kinds of cutbacks take place? And do you think they are prepared to ot that from an NDP government?

Mr D. Lindsay: I believe so. The only example I can to right now in this short time is that I come from the ney General's riding, and he had an article in our r mentioning how he had cut back in his own ministry. eve he saved the province about \$7 million by cutting free executive lunches and free chauffeur service to eme Court judges. I applaud him on that. We do not that kind of extravagance during these kinds of hard s. I am sure there are a lot of other teak and mahogany es that could use a bit of plywood in them too. It is as le as that. This is where the money has to be saved.

Mr B. Lindsay: There is a lot of chipboard in this riding.

Mr D. Lindsay: I guess that is all there is to say on point.

The Chair: You have two minutes left.

Mr Mahoney: Have you guys got teak and mahogany our office?

Mr Christopherson: No, we have just got too much money.

Ms M. Ward: There is a lot of sound and fury about deficit and you are saying, basically, "What's it all it?" I wonder if you are aware, and you probably are, the Liberal and the Conservative governments ran def-throughout most of the 1980s—1982, 1983, right up 1988 and 1989. Why they are making so much sound fury, as I say, about this now is rather questionable. Do have any comments on that?

Mr D. Lindsay: I think it is just a simple case of trying destroy the character of a government before it even started. Like I said, I was politicized through a very in system. I am serious. There are a lot of people who e gone through what I have gone through. The only erence between me and them, I think, is I am a little bit e resolute and I am a little bit tougher. I think it proba-had something to do with some of the people I had to up with when I was in the service.

I have a lot of farmer friends and I have watched what gone on in places like Saskatchewan. I have watched deficit grow there during a non-recessionary period, en the present government took over from a balanced get. What I do not understand is that the Premier of province stood up in open criticism of the Premier of

this province when he brought down his budget. To me that is complete hypocrisy. It is grandstanding and it serves a purpose. I think the only purpose it stands to serve is to set up headlines and to try to misinform a general public that tends to be kind of apathetic about what their politi-cians do. I am very serious about that.

The Chair: Okay, sir. We have run out of time. We appreciate the presentation you have. Even though it was not all written out, you had it all memorized, what you wanted to say.

Mr D. Lindsay: I fumed about these things over and over again, many times.

The Chair: Thank you very much for attending this standing committee.

Mr D. Lindsay: Thank you for having me.

Mr Mahoney: The government would love to have you on its team, guys. You did a great job.

Mr B. Lindsay: Thank you very much. Maybe we should talk later.

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DAVID RAMSAY

The Chair: David Ramsay, come forward, please. Welcome to the standing committee on finance and economics and the budget hearings. You have 15 minutes.

Mr Ramsay: I will talk fast.

Ontarians face serious economic challenges. With the loss of an estimated 250,000 manufacturing jobs in the last few years and a projected loss of 184,000 manufacturing jobs in this year alone, with over 10,000 business and personal bankruptcies in Ontario in 1990 and huge increases in individual and family need for social assistance—for example, in my community here in Thunder Bay, there has been a 47% increase in welfare recipients from last year—the challenge to know how to best respond must be truly staggering for those of you in government.

I join with others who applaud this all-party committee of Queen's Park for its interest in hearing citizen reaction to the 1991 Ontario budget and their evaluation of how well this blueprint will meet the challenge of providing essential services to the public while at the same time not destroying the means by which the money needed to fund these services is created.

The general malaise experienced by many people who feel they have elected politicians who ignore them once they have gained power is counteracted, I believe, by this precedent-setting action of debating the budget with us, the public. If after this consultation you as politicians demonstrate how this has impacted on your actions, you can be credited for contributing to the restoration of democracy our society currently lacks.

Allow me to put my comments in context. Through a Canada Employment seat purchase, I have been employed by Confederation Community College to provide life skills and job readiness training for the past six years to people in our community who for a variety of causes are unemployed. When I read the 1991 Ontario budget, it was with their interests and their needs in mind, and these provided the criteria by which I evaluated it.

The other influences I am moved by are the imperatives that my Christian faith demands. I concur with the statements issued by the United Church and the Canadian Conference of Catholic Bishops in recent years regarding the immorality of fighting inflation or deficits by neglecting the basic human needs of those who are poor among us, and all governments' refusal to address economic, structural injustices that create poverty. Not only has the gap between the poor and the rich increased, with those of us who are rich controlling more and more of the nation's income—and I put myself in the category of the rich—but there are still a considerable number of poor people, even with our increased income-producing programs.

The myth that people are poor because of their own mismanagement, just like that of people being unemployed because it is their fault, has been proven false by many social scientists. The National Council on Welfare, a citizens' advisory board to the Minister of National Health and Welfare, has completed many such studies, which I have cited in the appendix to this document. My own experience and contact with over several hundred unemployed people during the course of my work provides me with further evidence that unemployment and poverty are largely results of government policies that place a priority on deficit reduction and budget balancing, rather than on the dignity, health, education and skills development of our most precious resource, that of human beings.

As a province, we cannot run a budget the way a business firm has to. To cut production costs, it has to find a way to reduce its largest expense, which is either a worker's salary or position when the maximum efficiency is achieved. A government that has undertaken to look after the care and feeding of all its citizens, such as I believe Ontario has done, cannot dismiss its workers to have someone else look after them. The government is that someone else.

I judge the budget, then, not by whether it is politically feasible or acceptable, whether it conforms to economic principles or even to my own partisan views, but its contribution to the advancement of human values, dignity, development of human resources and security of both the individual and our communities.

To make the deficit the priority seems logical in that to spend more than is made does not balance the books. It also appears moral in that no one wants to saddle a future generation with debts. However, I ask you, is it moral to deny a family member an education, health care, or income to purchase basic necessities like food and shelter in order to balance our books? Who among us would do this to someone we are responsible for? Is it logical to make balancing the books the first priority when to do so means creating more unemployment, or to not help small businesses avoid bankruptcy due to high interest rates and thus lose revenue raised through taxes?

A report of the 1987 Senate subcommittee on training and employment, a document that I have with me, found after extensive consultation with business, labour, educators in Canada and in West Germany, France, Britain that: "It costs more to keep someone unemployed than to create a job for that person where they produce a needed good and/or service. In 1985 alone, unemployment cost governments in

Canada \$26.28 billion, or approximately \$14,600 for jobless Canadian."

I believe we must remember history in order to repeating fatal mistakes. From 1942 to 1945, Canadian government spending increased to 30% of the gross national product, which is equivalent to approximately \$150 billion today. Federal budget deficits averaged 21% of the national product, the equivalent of deficits today of over \$100 billion. In 1945, the national debt was four times what it was in 1939, which is equivalent to a national debt today of \$800 billion. These deficits, however, reduced unemployment from 22% to nearly zero. The years following this period, 1946 to 1970, if you carefully explore the history books, will prove to be the most prosperous and stable in Canadian history due to low unemployment and higher productivity of goods and services. As a matter of fact, the first Bank of Canada governor, Graham Towers, stated in 1942 to his colleagues, the minister of finance, that government war expenditure on a sufficient scale can produce full employment.

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This is not an argument to put the economy on a permanent war footing in order to create employment. I am one in this room who knows me knows I would not argue that. The United States and Soviet economies, which are so structured, are evidence enough to convince us that economic growth, sustenance of basic services or maintenance of employment cannot be obtained in this way. We see the collapse of these economies every day.

Instead, I would concur with the 1987 Senate subcommittee on training and employment when it recommended a program of job creation plus training. I think this is a significant difference from what we have had with the Canadian jobs strategies, to revitalize our economy, to reduce unemployment and create increased needed goods and services. Job creation, plus training, is successful if it results in the development of a clear, useful end product or service, helps workers to produce useful skills. The 1982 Economic Council of Canada report says that job training without the possibility of employment at the end only leads to frustration, cynicism and no increased productivity. The last presentation, I think, made personal reference to his own experience. It must be done in the context of job creation where meaningful, useful work produces needed services and products.

I have a list of examples to give you. We need construction of low-cost housing; we need to restore existing housing stock; we need to restore our infrastructure in cities, our watermains and roads; we need to increase tourist facilities; we need manpower for reforestation, repairing and double-tracking railroads and highways, home care, for eradication of illiteracy, which some of us undoubtedly know is now at 20% of our adult population for provision of day care, for environmental restoration and yes, for training of peacekeeping forces.

In addition to the economic value, a job-creation-plus-training approach not only lowers the unemployment rate without increasing the deficit, increasing inflation or the rate, it prevents the social costs of unemployment as well. The senators' report, after reviewing the available literature, concludes that there is a measurable causal link between unemployment and mortality, suicide, family breakdown

olism, violent crime, juvenile delinquency, cardiovascular and mental hospital and prison admissions. My own with the unemployed can also testify to this link.

The Senate committee, certainly no bastion of socialist thought, since I do not believe any socialist has ever been invited to it, the Economic Council of Canada and Intristica tested out this idea in a computer-simulated project. The model assumed created 900,000 new jobs in 1985, dropping the unemployment rate from 8.5% to below 4% in that year. It determined that consumer consumption, less investment and the gross national product would all rise and that there would be no significant inflation as a result of these proposals and importantly, no addition to the deficit since government revenues would increase while government expenses would decrease. I have submitted with my report the appendices from these two institutions indicating the computer model's findings.

This computer model experiment also coincides with the findings of MIT and Harvard economists Blanchard and Summers in their studies of western European economies—that “each 1% point reduction in unemployment in any country would make possible a reduction of 4% in tax rates and use of the reduced need for social welfare expenditure and the enlarged tax base as output expanded.” That finding is also appended.

Improvements to the budget: First of all, I would make myself aware of the famous Pogo dictum that has often been repeated, “I have seen the enemy and it is us.” I apologize to the cartoonist if I have not quite got it right, but I think you will see my drift.

What I mean by this is that I have a responsibility to contribute in creating more revenue for the provincial government to make use of and coincidentally, check those personal choices I make that place more demand for government income or services. It is clear to me that out-amping is devastating my local community tax base, my neighbourhood and eventually the employability of my children. This is something I have in my control, to shop wherever I can for Canadian produced goods and services. My own wage demands can be restricted to fair returns. As a member of OPSEU, the Ontario Public Service Employees Union, I am paid directly from government revenue. Although it is tempting to follow the example of the 1974 federal parliamentarians who voted for themselves a 50% increase—which was passed, by the way, by all parliamentarians saving Stanley Knowles—I will begin to distinguish between my needs and my wants. I have thus written to my provincial union executive proposing that we as a bargaining unit this year reflect on the adequate income and benefits we enjoy and place our demands in the context of the needs of our community.

In my profession we enjoy the highest average income, which is \$45,409 in this community, and in my particular workplace over 50% of my fellow faculty members have an average salary several thousand dollars greater than mine. I believe it is time for us to say with all honesty, “We are rich enough,” and that more does not equate to a better quality of life.

Second, I urge the provincial government to redress those structural deficiencies it has constitutional power to do so. By eliminating provincial income tax for those 700 families earning less than \$22,500 is one such measure. To shift that cost to those of us who could well afford to make up for the lost revenue is an act of justice.

The Vice-Chair: Mr Ramsay, could you bring your remarks to a close. I am terribly sorry, but we are running out of time.

Mr Ramsay: The government needs to do more. The federal Nielsen task force revealed that in 1984 to 1985 corporations received more from government than they paid in direct taxes on profits. I suggest this has to be redressed. You well know the figures, the corporations and the numbers that have not paid on their profits in this past year.

Third, more rent-geared-to-income housing is urgently needed; 35,000 units do not go far enough in meeting the need. Increasing welfare where people pay 70% for their rent only to have it increased by their landlords reduces their raise to zero. Rent geared to income for single people is critical.

Finally, job creation with training is needed; 70,000 jobs falls 100,000 jobs short of the losses expected this year in manufacturing alone. Do not look to the federal government for help. In a Chronicle Journal report of this year, the chief analyst for Statistics Canada stated that all gains in employment is part-time jobs and in one industry, the lowest-paying industry in the economy, which he called the McJob syndrome.

Thank you for the opportunity to share these thoughts with you.

The Vice-Chair: Thank you, Mr Ramsay. Unfortunately, we do not have any time for questions from the three parties, but again we thank you for your presentation and bringing that information forward.

Ms M. Ward: Mr Chair, could we ask if the presenter has copies of the brief?

Mr Mahoney: Hansard has it.

The Vice-Chair: Yes, Hansard will have copies.

Ms M. Ward: It is usually quite a while before we get Hansard on committee.

Mr Ramsay: I will make copies available tomorrow.

The Vice-Chair: Okay. If we can have a copy left, that would be terrific. Realizing the time of the day, this committee is now adjourned until tomorrow morning.

Mrs McLeod: In terms of the expectation of Mr Ramsay to provide copies, is that not something the committee can do itself?

The Vice-Chair: If he can supply us with one copy, we will take care of it.

Mrs McLeod: All right, with the appended material.

The Vice-Chair: Yes. If we can get the original, the rest is okay. This committee is adjourned until 9 o'clock tomorrow morning in Sault Ste Marie.

The committee adjourned at 1520.

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Finance and economic affairs

1991-92 budget

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de l'Ontario

Première session, 35^e législature

Journal
des débats
(Hansard)

Le mardi 13 août 1991

Comité permanent des affaires
économiques et financières

Budget de 1991 à 1992



Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 13 August 1991

The committee met at 0903 in the Water Tower Inn, Sault Ste Marie.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: Good morning. We are here for the standing committee on finance and economic affairs to hear submissions into the budget hearings.

ALGOMA DISTRICT MENTAL RETARDATION SERVICE SAULT STE MARIE ASSOCIATION FOR THE MENTALLY RETARDED

The Chair: The first group is the Algoma District Mental Retardation Service and Sault Ste Marie Association for the Mentally Retarded. Gentlemen, would you mind introducing yourselves for Hansard? You have half an hour for presentation. Out of that half-hour, save some time for questions and answers from the three parties. You can begin.

Mr Hibbert: My name is Michael Hibbert. I am the executive administrator of the Algoma District Mental Retardation Service. I am presenting this morning with my counterpart.

Mr Tosello: I am Mario Tosello and I am here on behalf of Barb Jackson, who could not be available this morning. I am from the Sault Ste Marie Association for the Mentally Retarded.

Mr Hibbert: I would like to thank the Chairman and members of this committee for allowing us the time for this presentation. I believe you have copies of the presentation we are going to make in front of you. It is our hope that through this presentation our clients will continue to receive the province's full support through, to and including the budget.

The Sault Ste Marie Association for the Mentally Retarded and Algoma District Mental Retardation Service are presenting jointly due to like concerns arrived at through provision of services. Algoma has an identified client list of 1,100 individuals with the condition of mental retardation who, along with their families, are eligible to receive services.

The provision of service is directly possible by funding programs through the Ministry of Community and Social Services under relevant legislation, such as the Developmental Services Act, Homes for Retarded Persons Act, Child and Family Services Act, Vocational Rehabilitation Services Act, Day Nurseries Act and a number of others, obviously. The MCSS new program directions for people with developmental handicaps are very encouraging. Within the ministry's new framework, there are issues which are not addressed in the provincial budget, however. One of those is pay or wage equity. The principles of pay equity and wage equity are key issues for both agencies. Both organi-

zations agree that it is unfair and unacceptable to undervalue certain occupations and sectors based on systemic discrimination.

One of the major areas requiring the government's attention is that of the impact of government on community and non-profit transfer payment organizations such as ours that rely on 98% of their funding from the government. The impact of changes like the pay equity legislation can be quite dramatic on organizations such as ours. The provincial budget states that a further \$25 million will be provided in 1991-92 to assist other transfer agencies in meeting their pay equity obligations. However, MCSS has indicated that community transfer payment agencies, again such as ours, will receive no moneys for pay equity.

The majority of individuals who are mentally retarded now live in and receive services in the community. This means legislative changes, which have to be complied with, will reduce dollars available to client services, as spaces either have to be reduced or staff-client ratios increased. The money has to come from somewhere. MCSS facilities are to receive 10.6% wage increases over 1990-91 estimates, whereas transfer payment agencies, again like ourselves, are only getting 6%.

The point at issue exacerbates an already tenuous situation—staff salary awards and the bump awards for community agencies. With the proposed pay equity awards and increase in wages, the gap between transfer payment and direct operating expenses salaries will continue to widen. In fact, this morning Mrs Jackson could not be here because she is in conciliation for that very issue.

Discrepancies in benefits for staff further widen the existing gap. The average benefits for transfer payment agencies are 16%, while MCSS benefits are 21.38%. We want to offer our employees similar benefits without penalizing our clients.

The entire issue of salary awards must again be reviewed by the Ontario government to ensure non-profit agencies in the north can compete for staff with the ministry. Recruitment of qualified people to the north is difficult at best but, given the salary discrepancies, the issues become even larger. Staff training dollars must be increased to assist employees in accessing the knowledge and training opportunities necessary to competently perform in meeting our consumer needs.

The GST has provided the agencies another fiscal and annualized financial headache. As you may be aware, transfer payment agencies can only claim back one half of the GST paid. Depending on the type of service offered, this can have a significant dollar impact. The net effect is that it costs the agencies almost 7% due to the requirement of additional administrative supports. No new dollars have been made available to transfer payment agencies for this reality, thereby again forcing agencies to look at cutting corners, if not services.

Mr Tosello: The multi-year plan: The service principles upon with the multi-year plan is based, the promotion of independence, protection, individual attention and quality programs, are consistent with those of our two organizations. Nevertheless, a number of concerns do exist.

The government fixed an amount of \$159 million some five years ago to depopulate institutions. This amount is not inflation-indexed or sensitive to legislative changes. The purchasing power is thereby significantly reduced, again having to do more with less.

Currently, MCSS plans to spend \$311,659,000 to service about 3,000 residents in the 1991-92 year in DOE facilities. This works out to \$103,886 for each individual. The Ministry of Community and Social Services has earmarked \$30,000 for each person being returned to the community from designated nursing homes. The total costs for DOE facilities exceeds the \$103,886 amount. Not even this basic amount is being returned with the client to the community, as the fixed part of the \$159 million has not been adjusted.

The Ministry of Community and Social Services, under vote 802, item 6, indicates a total of 11,672 spaces in the transfer payment agencies for sheltered workshops and life skills. It is known that many more individuals participate actively in supported employment programs at various levels of schooling and in private employment. Assuming a modest figure of 15,000 individuals throughout the province utilizing community-based services, the provincial cost per client for 1991-92 is an average of \$36,648. The same clients in DOE-run facilities cost \$103,886. These clients enjoy a number of services that community clients and those returning cannot or will not enjoy.

Algoma has no kinesiologist, no music therapist, no recreational therapist, two speech pathologists, one physiotherapist and one occupational therapist for 1,100 consumers. While the ministry has made a commitment to providing community living opportunities for people currently waiting to move from institutions and nursing homes, no such promise for additional supports has been made to the number of people presently residing in the community who require services. Those community individuals we serve should not be penalized because they have not left the community. New moneys are required for this group of consumers. The budget in future must address funding increases in the multi-year funding exercise if this initiative is to achieve its goal as well as those in the community.

Consumer needs: In terms of consumer needs, programs and services to assist families to better care for their developmentally handicapped children at home through parent relief, infant development and other forms of developmental programming must exist so that institutionalization will not occur. This is a new program direction of the Ministry of Community and Social Services.

The provincial budget does not address the underfunding of the special services at home program. The program has expanded to include adults with developmental handicaps, further straining budgets without the addition of new moneys. The assistive devices program under the Ministry of Health did provide for 75% funding to assist handicapped individuals with necessary aids. The special needs at home program funded the remaining 25%.

The changes in both programs have virtually eliminated funding for wheelchairs where individuals are unable to propel themselves. These are costly at \$3,000 apiece and are no longer funded. Assessments in Toronto are no longer funded and unavailable for the north. Already scarce resources are further stretched by the government's budgetary decisions. No mention was made in the budget about increases to residents' comfort allowance, which has not kept pace with inflation. The current allowance of \$100 per month has increased since 1986, at which time it was \$77, I believe. Our hope that future budgets will deal with legislated changes and reflect such in a more realistic manner.

The Algoma District Mental Retardation Service, the Sault Ste Marie Association for the Mentally Retarded would like to thank the provincial steering committee for its time and interest in hearing our concerns and we are open to any questions the committee might have.

0910

The Chair: We have about six minutes for each party starting off with Mr McLean.

Mr McLean: I would like to zero in on the transition from the institutions to the community. Do you have a psychiatric facility here? I do not believe you do.

Mr Hibbert: The Plummer Memorial Public Hospital has a ward attached to the hospital.

Mr McLean: For chronic care?

Mr Hibbert: Riverview Centre provides some psychiatric care.

Mr McLean: Are any people being moved from nursing homes out into the community here?

Mr Hibbert: In ADMRS, we have just received a second one from designated nursing homes with the minimum. Those people are being repatriated or brought back into the community at this point in time. This is why we have alluded to the moneys the government has set aside for that process, the \$30,000 per head. What we tried to do in this particular presentation is to highlight the kinds of dollars that are being spent currently on these individuals. The types of moneys are not forthcoming to the community; we cannot provide the kinds of supports and the kind of care in the community that they are currently receiving in institutions. We believe the institutions are inappropriate places for these people to be.

We agree with the government and past governments and the direction is great. However, the dollars should be coming with those people back to the community. The dollars originally set aside some five years ago have not been inflation-indexed and have not reflected the kind of legislative changes we just talked about. Pay equity is a problem but there are a number of other changes which have come to us. We do not get the funds so we have had to cut corners, but we cannot cut any more corners.

Mr McLean: If it was costing \$100,000 to keep someone in the institution and it is only costing \$30,000 in the community, there should be funds available to cover that. In other words, it is less money.

Mr Hibbert: We are hoping the government will do it that way.

Mr McLean: I have not heard before of people being transferred from nursing homes or homes for the aged into community. Is this something new?

Mr Hibbert: These are initiatives the government undertook some time ago. They set some \$30 million aside for that.

Mr McLean: It is amazing, because in the community I represent I have not known a person who has been into a nursing home and transferred back out into the community under the care of your association.

Mr Hibbert: You have to go back in time. Some of the people who were being repatriated have been in institutions since they were two or three years of age and they are now 40, 45 or 50 years old. These people were originally placed in the most appropriate facility available to them. In some cases the nursing home was the only facility available to them and they have been there until this time, and through government initiatives have been brought back into the community.

Mr Tosello: We also identified a few clients who could be transferred out of nursing homes in the Sault who could be going into community-based programs, but unfortunately there are no spaces available. The spaces that are available are filled by people who are returning from institutions. We tried to swap but we are playing with people's lives here.

Mr Martin: It is nice to see you again this morning. I really appreciate your taking the time out to come and present on behalf of the two associations in the city that deliver services to the developmentally handicapped. To continue the discussion we have had in my office around this issue, I suppose it is important to note that you continue to advocate on behalf of those who cannot advocate on their own. You probably realize the difficulty we are in as a government. We are certainly committed to the kinds of things you are committed to and the people you work with, trying to provide the very best we can, but in a time of recession we find ourselves with a limited number of dollars. You are probably aware too that out of the budget we presented that put us into deficit by \$9.7 billion, \$8.5 billion was just kept in place the services we already experience.

I hear you saying here that if we simply took the money that is not being spent any more to institutionalize these folks and turn it back into the community, it would more than adequately meet the dollars needed to do the service that you would propose is needed to do, the multi-year program of deinstitutionalizing folks. Is that correct?

Mr Hibbert: It is correct to the extent that in our presentation we have talked about the \$159 million that is originally set aside to depopulate all the institutions over a seven-year period. If you look at the people who are still remaining in the institutions—and a good number have been deinstitutionalized; we have taken 30 people back between the two agencies here alone—it is costing the government over \$300 million to provide that service. There is not \$159 million left, so what is happening is that to say, \$50 million we have to bring 3,000 people back. We cannot do that.

I am overstating it here, but the issue is one of the \$311 million. If the institutions are being depopulated, the same kinds of moneys should be coming back to the community so we can pay the same type of salaries or similar salaries so we can attract competent, qualified staff, which we cannot do because we are in the north and it is difficult attracting people here. But then also we can provide the kinds of services like kinesiologists and recreational therapists and the type of day program supports that people are now getting. But when you are doing it on \$36,000 versus \$103,000, obviously you can buy more for your dollar. The original money set aside for the depopulation exercise is not inflation-indexed, so what was \$159 million is still \$159 million. So every year, even if inflation is 5%, it is 5% less that we can buy.

Mr Martin: What I hear you saying then, Mike, is that in order to do the job that you know you and your staff can do you need more money.

Mr Hibbert: We would like to see the government support, with dollars, the legislation, the initiatives, the guidelines it has instituted, because the government has done, in my mind, a good job and is taking the right direction. But we in the community would certainly like to get some of the financial support to implement it the way I think it is intended to be implemented.

Mr Mahoney: Good morning. I am trying to grasp exactly what it is you are telling us. As I read what you are saying, you have shown the government how it can actually cut its operating costs in the area of service to your client group by two thirds if it adopted a more aggressive policy of funding community-based mental health care. Is that accurate?

Mr Hibbert: I would say that we are currently doing that—not to the degree that we would like and not to the level that they are currently enjoying in the institutions. We would like to see the appropriate amount—it does not have to be the same dollars—of support available to the individuals returning and to the community clients. There are no new moneys for those individuals who are not institutionalized. There is absolutely no new money.

So what happens is, if parents have kept their child at home and struggled and everything else, then the special needs program clicked in some years ago, which is a very positive step. But there are no new moneys for supports when parents are becoming older, can no longer care for their individual. We have no way of providing the kind of residential care, day program supports, other support services, social work, whatever, because the dollars are not there. If similar dollars that are currently being spent for DOE-run facilities were transferred to community agencies, then I would say we would be very well off.

Mr Mahoney: That is my exact point. You are saying \$30,000 would cover the cost of service to a client in a residential setting, be it a group home or some form of residential care with a family or something of that nature. I assume that is what you are talking about. We have similar things in all communities. So for \$30,000 you can provide that level of care but it is \$103,000 to keep that same individual in an institution.

0920

Mr Tosello: In an institution all these services are provided—there is a physiotherapist; there is a speech therapist; there is a nurse—which are not readily accessible to the person who lives in the community, plus, in addition, we also have community waiting lists. For example, I think between our two organizations our waiting lists have been about 80 people just for residential programs, and approximately the same number for day programs, which means life-skills services, supportive employment, sheltered workshops, and those people do not get any services or they get minimal services.

Mr Mahoney: Let me understand this. Are you saying that there are additional costs outside of the direct services that would have to be provided on a more global basis, such as the therapists, etc? What I hear you saying is identifying a way that the government can actually save money by redirecting the money to more appropriate sources, rather than simply asking the government for more money. I hear your pleas for some form of protection against inflation for your programs and that type of thing, but I also hear you saying that there are potential ways to save money. It seems to be falling on deaf ears.

Mr Hibbert: I do not know if the saving is the real issue for us as service providers. The issue for us as service providers—

Mr Mahoney: But you could provide better service for less money.

Mr Hibbert: We think we can provide better service. We would like to have some money to at least ensure that the standards they are now receiving are maintained when they come back to the community, and also for those community clients who were never sent away to institutions in the first place, so they also can get appropriate service. That is what we are saying. The bottom line throughout this whole thing is, we agree with the direction the government has been going in the past and now, and we agree with a lot of the legislative changes because they are very positive, but we need the dollars to be able to do it properly and not at the expense of the clients we serve. That is the bottom line for us.

Mr Mahoney: Sure. Do I still have time, Mr Chair?

The Chair: Yes, you have another two minutes.

Mr Mahoney: I enjoyed your presentation because for a change it is totally apolitical—not a change from your perspective, but from what we have been hearing; they have been less than objective views of the budget. I think you have identified the problems that you face and some suggested solutions quite well.

With regard to your organization, do you yourself run residential facilities here in the Sault?

Mr Hibbert: Both organizations do.

Mr Mahoney: Both organizations do, and do you have difficulty in expanding that program? Do you have community resistance, or do you think that you can do more of that kind of thing?

Mr Tosello: We have had very little resistance at all. We have a set of guidelines that we go through, just so the

public is aware of what residential programs are operating even our day programs. Reluctance is not there. Once you see the ADMRS, it is not like the group homes with residential facilities.

Mr McLean: This is a question I am not so sure I will be able to answer, but I would like to ask it. The year depopulation, the \$159 million, would you have an idea of what is left out of that \$159 million or what percentage would have been spent? It is really a question for the government to answer, but—

Mr Hibbert: I can indicate to you from a meeting I attended about a month ago now that it is my understanding that in northern Ontario there is about \$4 million that has been set aside for this year's effort of the seven-year exercise, so \$4 million has to be spread across northern Ontario to continue with this exercise. ADMRS has received funding for a new apartment-type program, group home. It is a different, but a new program. However, again, it exempts the issue we are raising. So we are bringing in and providing service for seven new people and we have no additional administrative support dollars; we have no additional professional supports. We are talking about the occupational therapists, that kind of individual. We have received dollars for that.

Mr McLean: You indicate that it costs an average of \$36,648 now to provide cost, and that still does not include the therapist or any of that other—

Mr Hibbert: That is the average that we are showing at that particular point.

Mr McLean: I had another question—it will come back to me, very likely.

Mr Tosello: Just to comment, the \$36,648 is just out of 15,000, and that is just a rough number of people. It is not sure.

Mr McLean: When the program was brought in, we know there were a lot of people in institutions who were quite capable of being put back into the community, but we would have thought it would be more difficult now to find people who would qualify, in my estimation, because I think the institutions are still, for a lot of clients, the best there is. Are we getting into tougher situations now with the clients?

Mr Hibbert: ADMRS was one of the first places in the province where we took a lot of people who were in chronic care wards, a lot of children, and brought them back into the community, and for some time we have had children who have G-tubes and trachiotomies and had a variety of other different types of very serious health care needs. The Sault AMR has also opened recently a corridor with health care needs, and we are able to do it, provide that the kind of supports are there that are currently being received in these institutions. We can do it in much smaller settings, more appropriate settings, and the development of the people who come back is just incredible, even though they have been in institutions for 40 years. We work with the individuals and the families, and over a year you can see dramatic changes, very positive changes, and the results are comparable or less.

Mr McLean: Thank you for your brief. There is certainly some good information in there.

Mr Sutherland: I just wanted to ask you a little bit about your overall philosophy. In some of the discussions I've had with my local community living organizations, their philosophy now is again to move beyond the residential facilities or homes and try to get as many as possible of high-functioning individuals into their own places and apartments and into as much of what we would call a normal lifestyle as possible. I was wondering if you could give us some indication as to where your organization is at that philosophy and whether there are cost savings that way as well.

Mr Hibbert: I am going to let Mario address this, but all organizations, even though we are different organizations, have pretty similar philosophies. The basic underlying fundamental is the principle of normalization, which you've mentioned, so that is a given, I think, across most agencies. Maybe, Mario, you want to address this one.

Mr Tosello: First, the question was providing better services in the community-based organization compared to institution, right?

Mr Sutherland: Yes. I just want to know how far you are in terms of having people in individual apartments rather than in a residential home setting.

Mr Tosello: Both organizations have been around for many years, I would say, and supported employment and supported independent living programs have been around for a long time. We are at the point right now where, with the institutionalization, with people coming back, we also have community waiting lists, and we cannot provide residential programs or independent living programs because people who are returning get the first choice. First, spaces are created; that is where the money is coming from; then they get the spaces. If we can somehow make four spaces for two people, then two people from the community obviously are getting—

The Chair: I would like to thank you for your presentation. It was quite informative to the committee here. Thank you very much for attending.

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SAULT STE MARIE AND DISTRICT WOMEN FOR WOMEN

The Chair: The next group is the Sault Ste Marie and District Women for Women and the sexual assault centre. Could you please come forward? Would you identify yourselves, please, for Hansard. You have one half-hour presentation, with a question and answer period at the end within that half-hour.

Ms Coppel-Park: Hello. My name is Bryna Coppel-Park, and I am representing Sault Ste Marie and District Women for Women. I would like it struck from the record that I am representing the sexual assault centre, please, whoever is taking notes here.

The Chair: I made a mistake also. It is a 15-minute presentation. I am sorry. We made two mistakes.

Ms Coppel-Park: Okay. I am employed by the Plummer Memorial Public Hospital as the co-ordinator of the sexual assault centre, but very clearly I am here today representing Women for Women. Sometimes I get that a little mixed up in my mind, but I am speaking on behalf of an independent women's group.

I just rushed from the office all the way up here, so I am also glad to know that I am only required to sit in this chair for 15 minutes.

I am going to start out by making an apology to you. I have been very ill. I debated whether I should phone and say that I had to cancel today because I am not prepared in the way I had hoped to be, but I felt it was really important to come here today to address some of the financial issues around sexual assault and violence against women in general.

I know you are all perfectly aware of the financial commitment of the present government and the announcement in early May by Anne Swarbrick allocating even more funding to both the issue of sexual assault—by sexual assault we mean an umbrella term “sexual assault,” sexual abuse—and also the issue of physical violence against women. So we are looking at a total financial commitment to violence in the lives of women, and by extension women and their children.

I do not want to bore you by quoting figures you can read yourselves, but I think the government has to be commended for understanding that the issue of violence in the lives of women and children is at the very core of many social problems. If money is not allocated, not only to address and treat women who have suffered violence in their lives, but also money that will be spent on education and prevention and hopefully eradication of violence in the lives of women and children, then very many other social problems do not have a chance. We can talk about pumping money into the education system or the social services system or this or that, but when we look at the reality of how women lead their lives, the fear in which women lead their lives, the dysfunction of families in which women and children need to live their lives, we look at the fact that it is very difficult to make other things in their lives work, like education or employment.

I think that in northern Ontario the situation is even more difficult, and I am glad to note that the government has made a commitment not only to increase funding for northern Ontario but for accessibility of services. It is one thing to offer services in Sault Ste Marie or Thunder Bay or Sudbury. What happens to all those people in between? What happens to the people who are in the more remote areas? I think the government should be congratulated for recognizing that funding needs to go into looking at ways of bringing services to women who are victims of violence, and sexual violence in particular, in those areas.

I think the reality of the situation, and I am speaking only for Sault Ste Marie, is that while there is financial commitment on paper, there are virtually so few available kinds of helping services that the majority of women and children who have suffered sexual violence or physical violence because of the fact that they are women are on long waiting lists. It looks fine to say that there is \$17 million more committed to the budget to do this, that and the other thing, but today in Sault Ste Marie it is really

hard to get people the help they need that is more than just a stopgap help. Yes, we have come a very long way, and now with the creation and the funding of the sexual assault care centre through the Plummer hospital people have immediate medical crisis intervention, but then what happens? How long do they have to wait before they can have some help?

The other point that I wanted to make, and I am not going to talk much more, is that there is a very big problem and we can treat as many women and as many children as we want, we can treat a million women and children who are victims of sexual violence, but that will not stop sexual violence directed to women.

There is money pumped into programs that treat young offenders, and I say young offenders because I have come to understand—I mean, I cannot really believe I am sitting here saying some of this to you, because a few years ago I would have thought: "Oh, what a waste of money. Just put the money into working with the women." The more I do this kind of work and the more I talk to other women, especially women who are victims of sexual violence, the more I see that it makes a whole lot of sense to look at funding programs.

I think that through the financial initiatives of this government there is some recognition of this, but we have to fund programs that can address the young men who are perpetrating these kinds of sexually violent crimes on women, because it is only there, along with education and prevention and everything else, that I think you really make a difference. You have to have the money there—and yes, it is in the budget—to treat the women and the children who are victims. They deserve every penny we have to give them, and more even than this government has allocated, but also we need to do something to stop the cycle. It is more than just education, and I think what I would like to emphasize is that it needs to be stopped with the very young perpetrators. They are the ones who can reverse their thinking and stop, and I think there needs to be some more money going into those kinds of programs.

The city of Sault Ste Marie does not have very much to offer along these lines, and with the kinds of funding available to the different agencies that are trying to provide this kind of service, with cutbacks etc, because of funding through United Way—I suppose you are all aware of this; it is a situation right across the province, I am sure—it is very difficult to find this kind of care for young perpetrators.

The Chair: Fine. A question on the government side, Ms Ward?

Ms M. Ward: You are talking about stopping the young perpetrators. Where are they identified? What age? I am trying to get a picture of that person. Is that someone who has already been involved in violence against women, or in a setting where it may have been?

Ms Coppel-Park: I think youthful perpetrators are identified in a number of ways, and I would also like to say at this point that very often they have been victims of violence or have witnessed violence themselves.

Ms M. Ward: That is what I was wondering.

Ms Coppel-Park: They are often picked up at the justice level. They are the kids who are getting into trouble. They are the ones who are on probation. They are the ones who are coming in front of family and juvenile court. They are the ones who are often wards of the children's society. They are often living in group homes. Things are often not working out for them in their lives. They are maybe leaving school early, having a great deal of difficulty in school. Sometimes it is a matter of just asking the right question to these kids when something is really wrong in their lives and we find out that, yes, this is what is going on. They are not always victims themselves, very often they are, and they are often identified because something is really wrong in their lives. That is how they come to the attention of different kinds of service providers.

Ms M. Ward: Are the services ready, basically developed, for those people? I do not necessarily mean are they widely available, because obviously that is what you are saying, that we need more, but is the expertise there to develop these services?

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Ms Coppel-Park: I think it is a very underresearched area, although I know that individual organizations and agencies sort of struggle along on their own because they see a need and they try to provide a program to meet that need. There is some group work that is going on now in Sault Ste Marie, just because the need was recognized for the service provision level for kids who had been identified as juvenile offenders.

We are all really quick to judge these kids. I work with juvenile delinquents for many years. That is how I started out my career, and I know that it is not easy to work with them. Lots of them break the law and lots of them do really awful things. I think that if we do not stop them, and that is not easy either, but if we start asking some of the right questions, at least to try to get to the bottom of things and to try to start to identify whether or not they were also victims or witnesses of this kind of violence themselves, I think we have a whole better chance.

Mrs Sullivan: I am interested in hearing more about what facilities are available for victims of violence, whether it is sexual assault or violence against women or children, family violence. Are there sexual assault centres outside of the hospital environment that people can access? I was also wondering about secure housing here for victims of family violence.

Ms Coppel-Park: Yes, there is a very beautiful newly built shelter for women who are victims of physical violence. After years of being in an overcrowded, inappropriate house, they now have a very beautiful, adequate facility which is secure. There is only the sexual assault centre through the Plummer hospital which has as its mandate the provision of acute care, meaning the medical care and also follow-up, meaning short- and longer-term counselling. There are some agencies, such as the Family Services Centre or Women's Outreach, which are very inadequately funded and understaffed and in spite of that do a very good job with long, long waiting lists. But there is no grass-roots, more indigenous sexual assault centre.

Sault. There was one up until about five years ago, but because of the lack of any kind of funding or government support, it folded. The volunteers just could not continue longer.

Mrs Sullivan: Just to carry on from that, on the staff- and the professional services side, certainly in my community one of the things we have found is that the volunteer, community-based level of providing services, provision of support, or professional support, is becoming more and more difficult as organizations have to compete with institutions, with hospitals, with Community Social Services, for example. Are you facing the same thing here?

Ms Coppel-Park: Yes.

Mrs Sullivan: You are finding it difficult to pay people to provide those services?

Ms Coppel-Park: Yes. It is painful sometimes, because you have services that need to work together being pitted against each other for maybe one position. We went through this at the district health council not too long ago. These financial initiatives by the present government give us some hope that there is recognition for individual communities.

There is another very big problem here. I am sorry, I cannot see your name, I am not sure where you are from, but in northern Ontario it is very difficult to attract people who are willing to do this kind of work. Over the summer there were three agencies advertising for professionals, for social workers to come to Sault Ste Marie to do this kind of work. First of all, the salaries are very inadequate compared to southern Ontario standards, and second, for someone to make a commitment to come to northern Ontario—

The Chair: Okay, Mr McLean.

Mr McLean: How much time have I got?

The Chair: You have about two minutes.

Mr McLean: Thank you. You indicated that there is no place here in Sault Ste Marie for abused women to go?

Ms Coppel-Park: No, I am sorry, there is. There is a very secure facility for women who are victims of physical violence or women who are victims of sexual violence who have no place to go. It is a 24-bed, well-staffed, well-maintained facility.

Mr McLean: And it will be pretty well full all the time, like the others?

Ms Coppel-Park: I do not know off the top of my head what their statistics are, but pretty close to 100% full.

Mr McLean: That is all that I wanted to find out.

The Chair: Fine. Thank you for appearing before the committee today.

INTERFAITH SOCIAL ASSISTANCE REFORM COALITION

The Chair: Next we will call on Rev Phyllis Dietrich. Good morning and welcome to the standing committee on finance and economics.

Miss Dietrich: Good morning. Whoever called me for the booking of time, I understand that you wanted copies. Is that correct?

The Chair: If you have the copies, that would be fine. We will hand them out to all of the members. Just wait a minute before you start so everybody has a copy. They can follow along then.

Miss Dietrich: Okay, I sure will. Just to remind you that I have copied this on both sides of the page to try to save some expense to my church.

Good morning, my name is Rev Phyllis Dietrich and I am an ordained minister with the United Church of Canada here in Sault Ste Marie. I became a member of the Interfaith Social Assistance Reform Coalition—hereafter I will refer to that as ISARC—in the city in the spring of 1990. ISARC is a branch of the provincial ISARC, which has met since 1986. The main objective of ISARC was to sponsor public hearings which would give people from low-income groups and organizations the opportunity to once again tell their stories of the continuing reality of hunger, homelessness and poverty. In Sault Ste Marie our committee was represented by several Christian denominations, Jews, health care professionals and educators. The stories we heard of our community in September 1990 were frightening. Some of the dilemmas people in the Sault found themselves in were nothing short of horror stories. I come today to speak in defence of the budget as laid out by our current government.

In 1988, after the Social Assistance Review Committee held hearings across Ontario to look at poverty, hunger and homelessness, a report called *Transitions* was issued to the Peterson government. In the report there were many reforms given to the current general welfare and family benefits system. By 1990, seeing that very few of the recommendations were acted upon, religious leaders took it upon themselves to encourage our government to rethink the social welfare system. You see, from time immemorial, clergy have dealt with the disadvantaged. In many aspects we are the experts. There is not a clergy person who has not dealt with a person whose welfare cheque has not gone far enough, and they have come to us as they know the church is one place where they will not be judged. We hear stories of what it is like to try to live on welfare in this province, and how one service worker will treat you one way while another will treat you with disdain.

The clergy, in many aspects, are becoming the experts of the government's system. We know a lot of the possibilities through which a person can access the system in the hope of finding some relief in a current life of extreme poverty. But despite what we can do at accessing the government's system to provide help for any individual in need, we too get frustrated with the current system. Most of the people we deal with who are on social assistance never can work their way out once they are in the system. Many people become junkies to the system. They cannot get out of it because a job would not pay them to. With the cost of day care and health care, once they have a minimum-wage job they are in a worse dilemma than they were before. They might as well stay on the welfare dole.

Many people I have seen become known for using the system are indeed only trapped by a system that seems to work at keeping people in an oppressive situation. By the time many helping institutions such as the religious

organizations start to help some of these people, the individual has been through the gamut of the provincial spider-web, getting caught or hung up on details so that they do not get ahead. We see people whose marriages have broken up, alcoholism, drug abuse, child abuse and extreme depression, just to name a few of the problems that are results of the welfare trap. That is why clergy across Ontario have become involved in this matter.

As a result of the hearings across Ontario in 1990, from the ISARC groups that met and from the thrust of the Transitions report, 88 action items became apparent that we would want any government to look at. If these items were implemented they would improve benefits, for example, by making special necessities such as medical supplies and basic dental needs mandatory rather than discretionary benefits; increase the personal needs allowance for people in need who live in institutions or hostels; streamline service delivery through such actions as authorizing pilot projects and self-declaration; set a service standard across Ontario that applications should be taken and eligibility determined within 48 hours of first contact with a welfare worker; give a voice to people who receive social assistance through the formation of a council of consumers.

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They would make eligibility rules more equitable, less complex and more in tune with today's realities by, for example, making assistance available to people such as the working poor, self-employed people like farmers, or refugee claimants, on the basis of need rather than excluding them on the basis of category; begin implementing opportunity planning as advocated in Transitions to ensure that recipients are given the services and supports necessary to help them make the transition to independence; develop a community standard to measure adequacy of social assistance rates using a market-basket approach which prices a number of goods and services that people need to live; improve incentives to work by lowering the tax-back rate on earned income while making the rules about job searches fairer and more realistic; promote the rights of recipients by, for example, ensuring that they can have an advocate accompany or represent them in dealing with the system and ensuring also that they are notified in writing of decisions and their right to appeal those decisions; increase staff to improve services through, for example, agreement between the province and the municipalities on a reasonable client-to-staff ratio; improve funding for municipalities which deliver general welfare through 50% provincial cost-sharing of those administrative costs now borne exclusively by local governments; and create a special fund to promote relief to municipalities adversely affected financially by the reforms.

Those of us who have been involved with the ISARC hearings and the follow-up that has taken place understand that Ontario is in the midst of a recession and there are competing demands for public dollars. However, more than ever, social supports for the most disadvantaged and vulnerable people in our society must be strengthened. The fact that more people are in need during hard economic times should make the momentum for reform more urgent.

Before I end my presentation, I would like to say briefly about the poverty among those in our society recognized as young people or children. Through the ISARC findings, approximately 42% of those who depend on social assistance are children. Here in Sault Ste Marie I heard stories last September—they were horror stories I tell you—from our soup kitchen how three of our schools send children to the soup kitchen because they come to school with no lunches or no availability of a meal at home on a regular basis.

As of yesterday, our Sault Ste Marie soup kitchen had approximately 35 young people on a daily basis throughout the summer months. That is not counting the adults who go through the door. Some are accompanied by a parent. Leftover food from the day's meal at the kitchen is taken home with some of the more needy families. Sometimes some of the packaged macaroni and cheese food is taken home, but not much else. Milk is a near-scarcity.

Most of the people who come through the doors of the soup kitchen find it hard to secure reasonable housing for themselves and their children. They want to live like normal people. They want a little space and a place that perhaps they could grow a garden and try to take care of themselves. They want to live like the rest of us and I feel they deserve to.

If we do not act on the reforms the Transitions report made, we will have condemned yet another generation of children to a life of publicly supported poverty. In doing so we will be undermining the social, economic and political future of this province.

The provincial budget as presented on April 29, 1991, in the Legislative Assembly, I believe, speaks and acts to the growing problem of poverty, homelessness and hunger in Ontario. This budget for many people is radical, but I believe Ontario is in a state where drastic measures must be placed immediately in order that all who live in Ontario may enjoy the wealth this province possesses. Speaking through my vocation, which seeks justice for all people, this budget is the first budget in Ontario history that I see addresses the same ideals the majority of religious groups hold dear.

It will take a great deal of money to correct the mistakes of the past. Religious leaders understand the amount of time—and I will use a religious term for that—and the time that will take. The budget has committed \$215 million on a full-time basis to reform the social assistance system. Some of us, after seeing the state the system is in through the eyes of individuals, wonder if that is even enough.

This government is committed to putting the reform process back on track through the implementation of the needs as described in the Transitions report and the Back on Track report. It is a major commitment. Some of us who really have not been affected by this current recession are also being committed, as our government is, to giving up in order that others may just live: quality health care, the possibility of employment, help for the working poor, the assistance for the keepers of our land, that is, our farmers and our aboriginal people, but mostly the commitment in this budget to be the foreseen elimination of hunger, homelessness and poverty.

This budget in the eyes of all religious groups is definitely a sign of new hope. We hope the Legislature will allow us to get on with it, as we have many people in Sault Ste Marie who need new hopes and new futures.

Thank you for allowing me this time to speak with you about a topic that is very important to me and I know is also important to our government.

The Chair: We have about one minute for each party caucus, starting off with the Liberal Party caucus.

Mrs Sullivan: Like you, we appreciate the commitment the government has made to the Transitions and RC reports. I want it to be very clear on the record, however, that the government simply expanded and built on a previous initiative of the previous government, which had originally committed \$415 million, moving up to \$600 million, over a very short period of time. The additional \$215 million in this budget is simply an add-on to previous initiatives. Whether it goes far enough is certainly yet to be seen. I would like to know from you—

The Chair: Your time is up.

Mrs Sullivan: Too bad. I made my point.

Mr McLean: I have a question with regard to the food basket that you have.

Miss Dietrich: The soup kitchen.

Mr McLean: No, I am referring to your saying, "develop a community standard...using a market-basket approach that prices a number of goods and services that people need to live." I have no problem with helping people pay rent and no problem with supplying food. In your opinion, in today's society, should there be some allotment of some place where alcohol and cigarettes are determined to be in the food basket?

Miss Dietrich: I guess I am speaking now from my religious vocation on that. I would say there would have to be a lot of study done on that. You are talking about where people on the welfare system would be going and purchasing alcohol and tobacco products?

Mr McLean: I am talking about the public moneys chasing it.

Miss Dietrich: I honestly feel it is not up to me to determine how a person spends his money.

The Chair: On to the government party.

Mr Martin: Good morning. It is nice to see you here. Not so long ago the Transitions report, which you referred to in your report, came out. Everybody across the country, across the spectrum, supported that. We came out with Back on Track, which was to take the Transitions recommendations which the Liberal government did not have the courage to implement and put them back on track. We are not getting the same kind of support. We are committing as much money as we would like to. We are doing \$250 million rather than the \$450 million that we know is needed, yet we seem to be getting a backlash from the community out there against putting that kind of money into social assistance programs. Any idea why that is happening?

Miss Dietrich: I have no idea why it is happening, but I do know that there seems to be a undercurrent of a poor attitude that people are taking. It is not just towards government; we find it in church, we find it in volunteer groups. Maybe it is because we are in this recession, I am not sure, but it seems that people are saying, "This is mine; I am not going to share it with anybody." It seems to be running through everything right now, and I am not sure how to go about changing it.

The Chair: I would like to thank you for your presentation. We are running short of time. Thank you for attending our committee.

SAULT STE MARIE HEALTH CARE INSTITUTIONS

The Chair: The next group is Health Horizons, with Ross Reilly presenting, I believe. Would you come forward, please. Mr Reilly, take a seat, and your guests also. Would you identify yourselves for Hansard.

Mr Reilly: My name is Ross Reilly, and I am representing the Sault Ste Marie health care institutions. On my left is John Bennett, who is the chairman of the board of the Plummer Memorial Public Hospital, and on my right is Ray Yukich, who is the chairman of the board of the Group Health Centre. We also expect Dr Michael Nanne, who is, I believe, vice-chairman of the general hospital here, but he is tied up performing one of his usual functions, which happens at this time of the day. Whether he will make it or not, we do not know. May I begin, Mr Chairman?

The Chair: Yes, you can begin. You have a total of half an hour. Try to leave some time at the end of your presentation so the three parties can ask questions on your brief.

Mr Reilly: Right. Also, as backup, I might mention that we have Art Osborne from the Group Health Centre and Michael Marchbank from the Plummer.

Mr Chairman, on behalf of the General Hospital, the Group Health Centre and the Plummer Memorial Public Hospital, I would like to thank the all-party committee for agreeing to hear our presentation on health care and the recent budget. First, I would like to give you a sense of what health care in Sault Ste Marie means in economic terms.

The three health care institutions provide approximately 2,400 full-time and part-time jobs. These jobs are generally quite secure, non-cyclical in nature, and are paid at rates and receive benefits through a negotiated process in keeping with provincial standards. In addition, the jobs cover the spectrum from unskilled to highly skilled positions. It is fair to say that health care is a major engine of economic activity in our community.

The three organizations are working on collaborating to form one system of care in our community. While we do that, with the financial assistance of the city of Sault Ste Marie and funds designated for health care development, we need help, co-operation and funding from the ministry. The three institutions and the city of Sault Ste Marie are naturally concerned about any changes in funding which not only affect the ability of our health care system to serve our patients but also diminish its economic importance to the community, especially considering Sault Ste Marie's current difficult times.

The Ontario budget gave an overall increase of over 9% to health care; however, hospital base budgets received only a 6% increase. I am sure the Ontario Hospital Association has pointed out to you that this is not enough money for the system and, therefore, this increase will result in some decrease in patient care, either in quality or quantity.

I do not want to spend too much time covering ground that I am sure the committee and the Ministry of Health have heard from the OHA. I would now like to cover ground more specific to the institutions in Sault Ste Marie. There are major differences between Sault Ste Marie health care institutions and southern Ontario health care institutions.

Sault Ste Marie health care institutions are also feeling the results of a downsized major industry. While on the surface it may appear that the downsizing of Algoma Steel may not directly affect health care, it certainly does have an effect on hospital budgets. The effects are both short-term and long-term. I will deal with the short-term effects first.

Increase in benefits costs: When the strike and downsizing at Algoma occurred, a significant number of employees switched their benefit packages to the health care institutions. This has resulted in a dramatic increase in the benefit costs for each institution.

Reduction in revenues: Again, due to the strike and downsizing at Algoma Steel, there has been a significant reduction in other revenue sources for the institutions. Employees at Algoma Steel and other related companies often have semiprivate and private coverage. When an employee loses his or her job, their coverage ceases. This loss of coverage results in less people occupying semiprivate and private rooms, therefore reducing revenue to the hospitals. These increased costs and reduced revenues are fixed and they must be compensated for within the budget by reducing services, forcing some very tough choices.

High staff training costs: With Sault Ste Marie located far from major training centres, the cost of staff training is very expensive. Travel, accommodation and other expenses make it as much as twice as expensive for anyone here to attend southern Ontario sessions, compared to people living in those centres. With the changes in health care occurring so rapidly, staff training is a very important component of patient care. Without keeping professionals updated, patient care suffers.

Difficulty in recruitment: The difficulty in recruitment applies to professionals such as pharmacists and physiotherapists in health care institutions and also to physician specialists. While the government has set up programs to encourage physicians to locate in northern Ontario, there are still some serious gaps in service. Some enhancements to the current system should be examined, and we are prepared to work with the Ministry of Health to develop these.

The long-term effect deals with an aging population. As Algoma Steel downsizes, younger people will tend to move from the community, leaving a disproportionate number of older people in our community. As we all know, older people tend to require increased medical attention; therefore, the need for health care in Sault Ste Marie will not decrease at the same rate as our population.

Health care providers in Sault Ste Marie and district take great pride in the fact that 90% of those requiring health care treatment in Sault Ste Marie are provided that care right here in their own community. We would like to be able to at least keep it that way or to increase capabilities to keep patients near the support system of friends and families. Sault Ste Marie is not asking for special treatment. It is, however, asking for recognition of problems and some steps to ameliorate those problems.

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The final area I would like to touch on is the difficulty with capital development for our health care institutions. While the Plummer Memorial Public Hospital was pleased to receive its capital dollars for the renal dialysis expansion, there are other needs in our community which require capital-dollar infusions while the studies go on and on. While the three institutions realize that the district health council is sponsoring a systematic review of health care in our community, improvements in health care through capital expenditures cannot continue to be delayed while the studies go on. With the age of the facilities in Sault Ste Marie, major redevelopment must take place as quickly as possible so that we can meet the changes in health care such as the move to ambulatory care.

In Sault Ste Marie, we are proud to have the Group Health Centre, the province's largest and longest-established health service organization. This HSO has provided 28 years of innovative ideas and service in this area that began with the initial investment of steelworkers and continued with the Ministry of Health as a partner. The Group Health Centre continues dialogue with the community health programs branch on matters of funding, and hopes for an early resolution. The centre's funding mechanism with the ministry needs adjustment, without which it will not be possible to continue provision of current services or to advance plans for the future.

Areas of concern have been documented and presented to the ministry. The committee is reminded of the February 1990 document *Operation Critical: The Report of the Northern Democratic Task Force on Northern Health Care Issues*. The Group Health Centre was mentioned several times in the report as being part of the solution. The report concludes by stating, "The members must appreciate the fact that what is needed is action, not further review and study."

One area I would like to briefly touch upon before I conclude these remarks is the area of mental health services. Sault Ste Marie and Algoma are in need of a full range of mental health service professionals. These include psychiatrists, psychologists and social workers. The three institutions would be more than willing to work with the ministry to recruit mental health professionals to our community.

In conclusion, we would like to reiterate our position that the budget provided a good increase in overall health care dollars. However, because of our special needs due to the function of geography and our pressing needs due to the city's current economic challenges, a closer working relationship with the Ministry of Health is needed to deal with needs specific to health care in Sault Ste Marie. The needs of Sault Ste Marie and Algoma are now, and we need solutions and actions now. Thank you.

Mr McLean: Have you seen any results of the report of the task force on northern health care since it was done?

Mr Yukich: Nothing specific. In so far as the Group Health Centre is concerned—as was indicated in Mr Reilly's presentation, it was mentioned three or four times—we continue to get soothing words from the Minister of Health saying: "You're doing a good job and we don't want to see you fail. Keep it up. You are doing a good job." Other than that—there are just words.

Mr McLean: What area does your district health council cover? Is it only this catchment area here? What does it cover, other than Sault Ste Marie?

Mr Reilly: Sault Ste Marie and Algoma.

Mr McLean: And Algoma, okay. Is it in phase 1 of its plan or phase 2 or phase 3? I know these just seem to go on forever. Are they making any recommendations? Have they come to any conclusion whereby they are making recommendations to the ministry that it should be proceed with rehabilitation of your hospital?

Mr Bennett: They had just received funding a short time ago for their consulting people, so basically what they are trying to put together now are some of the answers for the city and Algoma.

Mr McLean: You were talking about a major redevelopment. Did you have any commitments with regard to an addition or a new facility from the previous administration? What is the background there?

Mr Bennett: The background on the capital redevelopment of the institutions is that we had developed a central core some time back and basically did not receive approval in the final configuration of this central core between the three institutions.

Mr McLean: Do you feel you will have a computerized axial tomography scanner here?

Mr Bennett: Yes.

Mr McLean: Do you feel that the district health council is going to be an improvement or a detriment to you as far as dealing with the ministry is concerned? Last week in committee I know we dealt with two different district health councils in the province. The indications I felt we got from these district health councils were that some of the hospitals are bypassing the district health council in going for approvals.

Mr Bennett: Perhaps I could answer that by saying we are in the process of attempting to rather speed up the process, the three institutions forming a corporate body to deal with. We have asked for funding from the municipality to conduct our own process, to form a group composed of the three institutions to perhaps put together the structure; the three institutions themselves could present to the district in a co-ordinated way; that as the district health process moves along, at some stage within their process they would be able to say they have a one-voice, one-body approach that is together for the three institutions to work together.

Mr McLean: The final question is, do you have a major fund-raising campaign going on in Sault Ste Marie for the private sector part of it?

Mr Bennett: No, we do not.

Mr Reilly: But I guess it is fair to say that we generally always have. Between the three institutions we are always raising funds.

Mr Yukich: Yes, that is right.

Mr McLean: But you have no set target. You have an addition for \$50 million and you are trying to raise \$10 million.

Mr Bennett: At present we have an ongoing campaign to raise money for the renal dialysis process. The capital expenditure from the ministry has been approved but we have not reached our local target and are still in that process.

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Mr Martin: It is nice to see you this morning. It does not surprise me to see you here. I do not think there is another group in the city that calls me as often and lobbies as hard as you do on behalf of the people of the community and Algoma around the question of health care. I want you to know I certainly appreciate that and consider you a partner as I bring your concerns to the government.

You realize, as I do, that the health budget of the province is humongous and growing in leaps and bounds as time goes on. It is a real challenge for us to try to bring it under some degree of control and certainly we need assistance in that. In going into deficit with the last budget, we are not happy to have to do that. Perhaps contrary to popular belief, we are not advocates of deficits, but if we have to in order to serve people, we will.

In this community there are some parallel studies going on to try to rationalize the delivery of health service. Certainly the group you represent today, Health Horizons, is probably one of the most interesting and exciting for us who have lived here and watched the three institutions at one time compete with each other and now eventually get to a point where you are sitting down around the same table wanting to move forward; and the district health council's effort to look at health in the broadest sense, and in that way maybe bring in some things that would assist the government in bringing down the amounts of dollars that need to be put into delivering health and perhaps doing it in more innovative and creative ways. Could you speak a little about that and how we as a government might facilitate the rationalization of services in a way that would be beneficial, most of all to the people who live here?

Mr Reilly: You could say it is something in this community that has been attempted probably for at least a decade, I would think. It is a significant and major step. The three institutions, that have different philosophies and different backgrounds, have taken the position of sitting down together and agreeing to develop one institution and studying the possibility of putting our institutions together in some form. What format that will take we do not know, but it is really a big move.

I do not think it is a move that has been taken within the province, to the best of my knowledge, certainly not where it involves a public hospital, a Catholic hospital and health service organization such as the Group Health Centre. I do not believe that has ever been done in this province. It is a very innovative step and it is going to require a lot of

hard work. I think it is going to yield a much more efficient form of health care in the community and the community is going to benefit mightily from it.

We are treading into unknown waters, really. Where we will end up is pure speculation at this point. I think the significant thing is that we are working on it and the city itself has committed funds to enable us to proceed along this route. It is a big step in this province and one which the province will watch very closely.

Mr B. Ward: Our government made a commitment during these tough times to attempt to maintain our health services, our health programs as well as our social programs, and we have been criticized for that by some groups. If we had made a decision to cut our health programs, where instead of a 6% increase as the Ontario Hospital Association got it was a 15% cut, can you give us some examples of what that impact would have on the health care system for the people of Sault Ste Marie? I recognize this is hypothetical but you must know some areas that would be forced to be closed or cut.

Mr Bennett: I think it would be safe to say that even at the moment, with the present budget and the present allocation of the 6% to the institutions within our city—and I do not think that is any surprise to anybody—all three institutions are looking at financial difficulties with that 6%. If it had been a 15% reduction, across the board, totally, a range of services would have to have been reduced because we may even be in that position now with the increase.

Mr Mahoney: I am delighted to see a presentation on health care that looks at health care, to quote from your presentation, as “a major engine of economic activity in our community.” I think that is a very healthy, appropriate way of looking at the provision of services.

For your interest, I should tell you that my dad, Bill Mahoney, was very actively involved in the development of the health centre along with Johnny Barker and everyone in the steelworkers. That health centre is really a model that unfortunately has not been expanded by any government and should be, particularly as it was built without the government. It was built by the steelworkers and has since forged a partnership. I have been attempting to convince the Chinguacousy health services board in my part of the world to adopt that health centre model.

I should also tell you that I am delighted to see the three service providers working together. I do not know that that has always been the case in Sault Ste Marie. I have heard some interesting stories of some differences over the years.

The perception of the health care services in the Sault would obviously not stand scrutiny with your presentation this morning. The perception is two major hospitals, the finest Group Health Centre probably in Canada, good service provision for 78,000 people working well together, etc. I am somewhat disappointed to learn that level of service would appear to be somewhat superficial. Would you have any comments on that?

Mr Reilly: I do not think the level of service is at all superficial. The level of service in this community is really

of a very high calibre. The three institutions have had valries in the past; that is quite true. But I think we are growing out of that. For instance, the Group Health Centre right now is trying to get funding, backed by the two hospitals, to look at the possibility of forming a comprehensive health organization. They are not having much success with that, but of course anybody is not having much success with funding these days. There is just not enough money to go around and we all recognize the facts. That is just a fact of life in our changing society.

I think we are taking some positive steps here and we have an excellent care system in this community which has a foundation of improving even more.

Mr Mahoney: I am delighted to hear that. I was under that impression, but I was concerned by some of the remarks that there might have been some slippage. One of the things we are investigating, aside from provision of health services, of course, on an ongoing basis, is the impact of this budget on the economy in general.

One of my grave concerns in this whole process is very clearly the deficit financing plan of the NDP government shows an increase in the level of the debt from \$20 billion to at least \$76 billion by the end of their term in office. On a per capita basis that is approximating the general deficit and would seem to me to leave future governments with severe restrictions in their ability to finance new programs or expand existing programs.

Your cost of debt service could increase to as high as 20 cents on the dollar from the nine cents it was when the party was in power, which will also restrict the ability to move, and flexibility for governments, whether it is for capital services or ongoing operational expansion or any level of service.

Do you share any of those concerns about deficit financing, about simply taking the deficit, which could be likened to an overdraft or a line of credit, and plowing it on to the debt, which could be likened to the mortgage on the province, and doing that successively each year so could wind up with \$76 billion? And that is assuming the revenue projections are not somewhat larger than they would appear in reality. My own personal feeling is that it will be \$80 billion, \$85 billion, maybe even \$90 billion of debt. How are we going to fund services if all of our dollars are going to service debt?

Mr Reilly: That is a pretty tough one. Yes, I suppose everybody is concerned about deficit. We have lived in this country with a federal deficit for decades. I think of Japan. They have been deficit financing for decades. You cannot live with deficits. It may not be the best way to go. I suppose everybody has concerns. Everybody would like to run a surplus. But if you have the fundamental structure underneath to recover from deficit financing, then we have a fundamentally healthy province. If we keep ourselves economically healthy, then we can pull out of a deficit situation.

Here in Sault Ste Marie we certainly have to look at that type of situation, probably more than other areas in the country. We are taking steps to try to stave off what could be disasters brought about by deficit financing. But I am optimistic; we will turn this community around. We will

ing for some government help to do that, mind you. We want you all to recognize that fact. We will be visiting you.

Mr McLean: I have a couple of short questions. There is a hospital in Ontario that has started a practice where, when they give patients pills in the hospital, they charge them for those pills. Do you see that as an issue for some of the health care centres recouping some of their costs for supplying those services they would normally go to the drugstore and pay for? Now they are paying for them when they are coming out of the hospital.

Mr Bennett: I have noticed, Mr McLean, that there has been continual dialogue within health care and within government at all levels. I guess the importance put to that kind of fee, for anything perhaps, is not so much what can be recouped financially but to discourage very heavy involvement of patients in that sort of thing. I think there seems to be a real dichotomy throughout the political scene and certainly throughout the health care scene as to whether or not—

The Chair: Excuse me. Time has run out. Thank you, gentlemen, for your presentation before this committee. We will have a good day.

CANADIAN UNION OF PUBLIC EMPLOYEES—ONTARIO DIVISION

The Chair: The next group is CUPE. Would you come forward, and when you are seated would you identify yourselves for Hansard. The presentation will be for one half-hour. Just leave enough time at the end of your presentation, if you can, for questions from the three parties; it will be split equally among the three parties for questions and answers.

Mrs Rickaby: Good morning. I am Jean Rickaby, CUPE Ontario vice-president. On my left is Richard Balnis, the CUPE national research officer, and seated on my right is Brian Blakeley, the CUPE Ontario political action officer. We have quite a lengthy document, which is before you, and we shall try to summarize it for you.

The Ontario division of the Canadian Union of Public Employees welcomes this opportunity to offer our comments on the budget.

With over 400,000 members, CUPE is the largest labour union in Canada. The Ontario division of CUPE represents more than 151,000 members employed in both the public and private sectors in all regions of Ontario. CUPE Ontario members work in a wide range of settings, including municipalities, hospitals, public utilities, Ontario Hydro, school boards, rest and retirement homes, nursing homes, homes for the aged, social service agencies, the Ontario Housing Corporation, the Workers' Compensation Board, and universities.

The current recession is, without question, the worst to have hit Ontario since the Great Depression. Job losses in the province have totalled 214,000 in the first year of this recession, compared to 89,000 in the first year of the 1981-82 recession. Many of these jobs are gone for ever. In 1990, 59% of reported permanent layoffs were due to partial or complete plant closures. In the first five months of this year, 59% were due to partial or complete plant closures.

By contrast, in 1982 only 24% of permanent layoffs were due to shutdowns; the remainder were the result of companies temporarily reducing the number of their employees.

The loss of jobs and the resulting rise in the unemployment rate has brought about an unprecedented, in recent memory, increase in the level of social assistance cases in the province. Between May 1990 and May of this year the social assistance case load has increased by more than 70% in the province.

The current economic crisis facing Ontario represents the coming of age of several major ideals of the neoconservative political economy that took hold of this province in 1975. This policy of fiscal restraint was ostensibly designed to reduce inflationary pressures and deliberately allow the private sector room to expand. It emphasized the size of the political deficit as the most pressing policy matter.

In November of 1975, release of the Report of the Special Program Review, the McKeough-Henderson report, introduced the notions of too much and too big into the political rhetoric of the Tory and Liberal governments of Ontario and Canada. This rhetoric is echoed in 1991 by those who wrongly claim that the Ontario government's 1991 budget produces a deficit that is too big and contains too much government spending.

The publication of the McKeough-Henderson report marked Canada's first formal adoption of the doctrine of fiscal restraint in a systematic fashion. It is therefore important to understand the major features of this ideological commitment and how it has shaped the economic policy choices of past Ontario governments.

The theory of fiscal restraint holds that it is the excessive burden of government which has weighed down the economy and made it unable to function efficiently. Governments supposedly have established a whole range of non-productive social services which the economy can no longer afford. As a result, according to this logic, the share of the economy accounted for by the government must be cut to provide room for private sector expansion. The solution is felt to lie with major cutbacks in government spending.

The theory also holds that many services currently provided by the public sector should be given over to the private sector on the assumption that there will be a major improvement in provincial economic performance if the free trade market is given enough scope to operate.

The record of the Mulroney Tory government in Ottawa clearly illustrates the bankruptcy and false promises of the policy of fiscal restraint. As the last few years have shown us, cutbacks in public services do not result in a smaller tax burden on the population. Taxation on working people has been increased to allow the government to finance the free-enterprise pipe dreams of its corporate supporters.

Mr Balnis: To continue on: The principles of fiscal restraint have influenced relations between Ontario and the federal government in a dramatic fashion. In particular, past Ontario governments have long advocated fiscal disentanglement and the end to conditional cost-shared financing arrangements with the federal government for health, post-secondary education and social services. Today, in many respects, it appears that Ontario has finally been granted its wish.

As a result of the federal government cutbacks, Ontario over the next five years will experience a funding shortfall of \$11.2 billion for established programs financing. It now appears that the federal Mulroney government has launched the same attack on the Canada assistance plan, or CAP, the only remaining open-ended cost-shared social program in Canada.

The Mulroney government's Bill C-69 introduced a 5% per year limit on the increases in CAP for two years for Ontario. Ontario stands to lose \$3.9 billion. As a result of these changes, CAP will no longer be a guaranteed flexible source of money to help provinces adjust in times of high unemployment, poverty and homelessness caused in this most recent recession. In fact, Ontario's planned welfare reform has been seriously impeded by these cuts to CAP.

In the face of this double bind of the fiscal squeeze by the federal government and the economic squeeze of the current recession, the worst since the Great Depression, as we have noted, the NDP government of Ontario introduced its first provincial budget. This budget, in our view, represents the first denunciation of the principles of the neoconservative philosophy of fiscal restraint by a provincial government in Ontario since the introduction of the McKeough-Henderson report and its myths in 1975.

In putting the wellbeing of people before the deficit, the NDP government moved in the opposite direction from the federal and provincial Tories. Mulroney's answer has been to raise taxes for working Ontarians and cut services to those in need and thereby make the recession worse.

As you can see on pages 12, 13 and 14 of our brief, we indicate the measures the Ontario government has taken to fight the recession. In our view—on page 15 of our brief—this budget clearly states the intention of the government of Ontario to fight the recession head-on. The willingness of the government to accept the \$9.7-billion deficit resulting from this budget is evidence of its courage and conviction to protect the interests of working people and the majority of Ontario's citizens in a time of economic hardship.

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Contrary to the hysteria generated by the corporate media, the reality of the situation is that the projected Ontario deficit of \$9.7 billion is moderate if considered from the perspective of recent Conservative deficits from other Canadian jurisdictions.

On page 16 of our submission we provide that comparison. In our view, the Ontario deficit, to emphasize, represents the rejection of the fundamental principles of the theory of fiscal restraint by the government of the largest province in Canada to meet the needs of the bulk of the province's population, something, in our view, that has been deliberately ignored since at least 1975.

We have found support in our position from groups such as the Canadian Centre for Policy Alternatives and even the Conference Board of Canada, and we provide that evidence for you on page 17 of our submission.

CUPE Ontario is also pleased to note that the budget did not introduce any overt forms of public sector wage control, unlike the federal government, which is using its cuts in federal transfers. Budget announcements in Newfoundland, Nova Scotia, New Brunswick, Quebec, Manitoba, Saskatche-

wan and British Columbia indicate their desire for wage controls. Fortunately the Ontario government did not follow that course of action. In fact, the budget of the Ontario government contained a much different message. In response to the Treasurer's challenge we are taking this opportunity to suggest ways to meet the challenges identified in the budget.

While the legacy of fiscal restraint is strong, the need to challenge this approach has never been greater. The Ontario government's 1991 budget, in our view, is a bold and positive step in the right direction. Admittedly, Ontario's independent capacity to plan the economy of the province, to seek full employment and to seek the development of an integrated manufacturing economy able to supply the domestic market has been jeopardized by the Canada/US free trade agreement. It will be reduced even further by a trilateral free trade agreement including Mexico. None the less, the creation and continuance of 70,000 Ontario job opportunities by this 1991 Ontario budget stands in sharp contrast to the statistics on job creation since the free trade agreement was forced on Ontario by the Mulroney government.

In the long term, action must be taken in a number of other areas, in our view, including taxation, the role of the private sector and, perhaps most important, enhanced democracy and public accountability. It is gratifying to note that the Ontario government has already embarked on initiatives in all of these areas. We look forward to participating in the work of the government's Fair Tax Commission.

Meeting real human needs, not simply pandering to big business, must be the ultimate goal of the Ontario government's economic strategy. We must seek full employment as our primary objective rather than using mass unemployment as a way of lowering wages and weakening unions. We must seek improved public services rather than eroding already inadequate benefits and programs and must use public policies and public investment to complement our economic development.

In our view a significant first step is to win back the terrain lost to the McKeough-Henderson big lie concerning the public sector. The public sector contributes to economic development just as the private sector does. If the private sector cannot create permanent decently paying jobs to satisfy the pressing needs of Ontarians, we must be prepared to use the public sector as a catalyst for the economic development of this province.

The problem is not that we have too much public spending, but rather we do not have enough. Moreover, much of the public spending we do have is of the wrong kind, that is, its purpose is purely to bolster business development in the private sector. An economic policy that gives priority to the social, economic and human needs of ordinary Ontarians is what is required. The goal of establishing a more favourable investment climate at the expense of the job security and living standards of our citizens must be reversed.

Our strategy has two aspects. The first strategy is a commitment to public investment: the expansion of socially necessary public services. On pages 28 and 29 of

mission we provide a listing of measures to improve public sector programs and services.

Unfortunately, adequate funding and a political commitment to the public sector, while necessary, are not sufficient themselves to produce the long-term transformation and renewal of the Ontario public sector that is so urgently needed. Ontario's public sector has been both underfunded and unplanned. Moreover, no effective mechanism exists to complement long-term and democratic planning.

The real solution to the crisis facing Ontario's public sector that has existed since 1975 lies beyond the simple deployment of existing and new resources. CUPE's alternative strategy seeks democratic control of economic development to promote the objectives and needs of ordinary people. We need much more involvement in the economic planning and decision-making process, which in turn will require the creation of new methods of public input. Citizen participation in economic decision-making is vital both to make an alternative economic strategy work and to give it the political support necessary to succeed.

In the conclusion of our brief we talk of what could be done in the post-secondary education sector, for example, a consultative commission. We then speak on page 32 of health care, with our concerns about deinstitutionalization and decentralization. If it is proceeded in a planned and coordinated manner with full consultation we believe that success can work. In the area of social services we need adequate funding, planning, clear lines of accountability and a political commitment to the provision of a comprehensive, universally accessible social service system.

Mrs Rickaby: In conclusion, CUPE Ontario is pleased with the initiatives of the Ontario government contained in and reinforced by this budget. The government has taken a positive first step in the right direction to putting the economy of Ontario back on track. But, as we have stated, the government must do more and move to ensure that all community interests are represented in the decision-making process for the expenditure of public funds.

CUPE Ontario therefore calls for increased democratization of the public sector in Ontario. To this end, we urge the Ontario government to ensure that any agency or institution that is in receipt of public funds for its operation must be run by a governing body that is genuinely representative of the community and the clients the organization serves. These representative bodies must include representatives of their staff and their unions. Recognizing the need for community input into the operation of publicly funded organizations will ensure that these services can be best adapted to meet the social needs of the communities that they are intended to service. This process will go a long way to improving delivery of these much-needed public services during this recession and through this decade into the next century. All of which is respectfully submitted on behalf of the members of CUPE.

The Chair: Thank you. We are starting off with the government. Mr Ward.

Mr B. Ward: Thank you for your brief. You appear to have put a lot of work into it, as all groups have that have come before us, and we appreciate that. You mentioned in

your brief our government's decision to fight the recession rather than fight the deficit, because we felt the recession was more important during these tough economic times to try to wrestle to the ground from an economic standpoint. Could you give some examples from your—assuming you all live in the Sault area, is that right?

Mr Balnis: Actually not. I am from our Ottawa office, and Brian is from Toronto, so it is a range.

Mr B. Ward: So I understand where you are. The anti-recession package included \$700 million in capital for improving our infrastructure across Ontario. Can you give some examples or your views on whether this was effective spending, because, as I have said before, we have been criticized by groups and organizations for the deficit. People have been saying we should be cutting back, whether it is health care, whether it is social services or in fact our capital expenditures to rebuild our infrastructure. From your point of view, is it wise to spend capital dollars during tough economic times to rebuild our roads, to improve our facilities, whether it is schools, whether it is hospitals? Could you comment on that from your perspective as Ontario representatives of CUPE?

Mr Balnis: From our perspective it is sound economic strategy. We spend some time in our document talking about the estimate by the Federation of Canadian Municipalities, where Ontario's public infrastructure of roads, bridges, sewers and urban transportation facilities must be improved. Spending on maintaining social services in a recession makes eminent sense to us.

Mr B. Ward: Especially during tough times. That is when we should be putting dollars into job creation and rebuilding our infrastructure.

Mr Balnis: Precisely. I think we are also looking at a situation where Ontario since 1975 has prided itself as being the province that spends the least on social services. The McKeough-Henderson report, the report of the special committee there, has put Ontario for a decade into a bind that also must be addressed. We are not asking that you do it overnight, but in tough times you must spend on capital spending and you must also be prepared, as we suggest in our brief, to look at expanding the role of the public sector in the long term to address the damage that has been done since 1975.

Mr B. Ward: I think the gist of your brief, as we head into recovery—according to Mulroney the recession is over, but ask the unemployed and they have a different point of view. But as we look into the future, into the 1990s—and this is really a non-budgetary question—for us to be successful as a province, do you think there has to be greater co-operation, trust and partnership between organizations like CUPE and business and government, a greater dialogue and a working together? That is the direction we would like to head in as a government. Do you think that is a proper direction?

Mr Blakeley: I think that is a very appropriate direction, tying into your previous question. If you take public funds, and improve the infrastructure of the province during a time of economic downturn, when the money is not in the private sector, then you not only address the recession, you

get people working. You also improve the infrastructure, the transportation systems, the community organizations that we need to take advantage of an upturn when it comes along so that we have a transportation system, we have the infrastructure to allow business to then take over and generate the involvement and the economic activity that they have always wanted to generate.

The Chair: I will have to cut you short. Mrs Sullivan.

Mrs Sullivan: Thank you. I wanted to follow up on your recommendations on page 27, that some of the recommendations of the AMO be followed and, indeed, that there be significant infrastructure investment throughout the province.

One of the things that is very clear from this budget is that long-term capital investment is not included. There is no increase in funding available for municipal sewerage, which is desperately required. There is no follow-up on the initiative of the water and sewage corporation, which would have allowed leveraging additional funding to improve the municipal sewer infrastructure. There is minimal increase in the capital transfers to universities. By example, the backlog capital requirements at the University of Toronto cannot even be met by the entire increase in the capital funding for colleges and universities.

What I do not see in this budget is long-term capital investment that will indeed solve the infrastructure problems that have been identified by municipalities, by colleges, by universities, by health care institutions, nor, as a result of the failure of addressing those infrastructure problems, is there any long-term job creation. How do you come to terms with those issues with the kind of brief that you have submitted?

Mr Balnis: You have identified exactly the source of our problems. You mentioned the backlog at the University of Toronto, which I attended a long time ago. Where did that backlog come from? Right now, this Ontario budget is under fantastic attack for spending too much, and you are expecting a government in one budget to correct, in our view, 15 years of omission, backlogs, underfunding, lack of strategy, no long-term plans.

I put the question back to you and say, why are we in the mess in the first place? As Mr Ward indicated, I think it has been a long time coming where we can be consulted to work co-operatively to look at the Ontario public sector and work to rebuild it. It is not going to happen quickly, and we will participate in that process. To be quite frank, I do not think we are going to turn around and say, "You didn't do enough in this budget." It is a first step. We will work with you to make it better.

Mrs Sullivan: One of the things that is interesting is that a large part of the deficit created here is as a result of operating deficit, not capital deficit, which would have made, in terms of long-term economic recovery, probably far more sense. You have talked about the capital needs. What is your response on that? Are you willing to accept continuing operating deficits to add to the long-term debt?

Mr Blakeley: Our response is that we see a situation where a number of policies have led us to the situation where a large number of Canadians in Ontario are in need

of social assistance, are in need of work, and the government has looked at the long-term buildup of capital spending. The province, the university system, has looked at the province and seen a lot of need and has recognized, and I think properly, that the immediate need of the people takes priority over a long-term need to increase the deficit. At this moment, for capital funding. I think the initiative of the budget address the long term.

Mr McLean: Your brief is very comprehensive and very well done. It expresses concerns that you have relayed very thoroughly, and I have no questions for clarification.

Mr Sutherland: Mr Chair, just before the next group comes on, I understand that we have a cancellation this afternoon at 1 o'clock?

The Chair: Yes, we did.

Mr Sutherland: It has come to my attention that the social planning council has a brief that it was going to submit in written form. I was wondering, if we had a party agreement, whether they could present that at 1 o'clock in verbal form, since we have had a cancellation.

The Chair: Mr McLean, do you agree?

Mr McLean: The majority rules.

The Chair: Okay. No problem.

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SAULT STE MARIE CHAMBER OF COMMERCE

The Chair: Would the Sault Ste Marie Chamber of Commerce please come forward for a presentation. You come to the standing committee on finance and economic affairs and to the budget hearings here. You have one hour to make your presentation. In your presentation, let me know enough time at the end for questions from the three parties and you can start right now, sir. Identify who you are, Hansard, please.

Mr Lajambe: Ken Lajambe, president of the Sault Ste Marie Chamber of Commerce. It is great to be here. We did a hearing similar to this in Sudbury last week on another issue, and we had a lot of fun there, did we not, Tony?

Mr Martin: Yes, we did.

Mr Lajambe: It was a good meeting and we hope it will be as good. We appreciate the opportunity, of course, of being here. How is it broken out today? Where are the people?

Mr Martin: We are in the Sault.

Mr Lajambe: I noticed that, Tony.

We have about 600 members in our Sault chamber. We are down from some 900. I do not have to tell you what that is. A lot of things have happened in the last two years in particular in terms of Algoma Steel's problem, which we will deal with in the brief. I would like to thank you once again for allowing this opportunity to be here to talk to you about our concerns regarding the provincial budget which was released, of course, in April of this year.

I also do not think I have to go into a lot of detail about what is happening in the economic conditions in Sault Ste Marie. However, I do feel it is important to provide you with an up-to-date overview of our dire situation. Algoma Steel, of course, is our primary employer. Its future is uncertain.

est. The chamber of commerce is very hopeful that the company, its employees and shareholders will be able to restructure by the October 31 deadline and that Algoma will continue as a viable operation in our community. What this restructuring has done in essence is waiting for the other shoe to fall. Our business community is very anxious about what is going to happen and so too are our customers. Consumers based in Sault Ste Marie do not have their hands in their pockets, because they are waiting for another shoe to fall. This constant delaying has certainly put us in great jeopardy, even further than what the recession has done, just the inability to sit back and wait.

Cross-border shopping continues to increase and losses sustained as a result of this problem are staggering. A study conducted by Ernst and Young in 1990 which the chamber commissioned indicated that the Sault has lost over \$140 million in income and over 1,000 jobs have been lost in the community as a direct result of cross-border shopping. There is no end in sight to this trend.

Our unemployment insurance and welfare rolls continue to put a tremendous strain on our social system. Business closures and personal bankruptcies have taken their toll on hundreds of people in our community. The few people employed now are a lot of carpenters boarding businesses.

Regarding the budget, the surtax to be levied on small businesses earning over \$200,000 will affect many of our small business people. These businesses and their owners are already struggling to make a profit and this unfair tax in many cases means the difference between making money and losing money, and more important, will reduce or eliminate the ability of business owners to provide much-needed jobs for our residents and contribute to the municipal, provincial and federal tax base.

Second, of the \$700 million the provincial government plans to spend on municipal improvement projects announced earlier, only \$20,400,000 has been allocated to the district of Algoma, where the welfare case load has increased by over 63% and the unemployment rate is approximately 15%. The \$20,400,000 represents a mere 3% of the total anti-recession fund.

Third, the 1991 budget does nothing to assist Sault Ste Marie as a border community. In fact, it goes a long way to reducing our ability to compete. The most pervasive economic challenge for all businesses in the 1990s is that inability to compete.

The increase in gasoline taxes, which was a little surprising in the last budget, will have a further devastating effect on this community. We tie that to the Ernst and Young study commissioned by the chamber, where it concluded that the primary reason that Sault Ste Marie residents crossed the border to Sault Ste Marie, Michigan, was to purchase gasoline. That is still in fact an absolute. They also purchase significant volumes of other consumer goods, including groceries, alcohol and cigarettes, all products, except groceries, which are subject to considerable taxes.

With gas taxes predicted to rise 30% over the next six months and taxes on alcohol and tobacco at a record high level, not only is the Ontario government encouraging Sault Ste Marie and Ontario residents to shop across the

border, it is also sending a clear message to American tourists, Sault Ste Marie's primary visitor drawing area, that Ontario is too expensive to visit.

Fourth, the Ontario government has failed to provide much-needed funding for the four-laning of the Trans-Canada Highway throughout northern Ontario. This road-way is a disgrace and has been compared to a cow path in certain areas. When we are struggling to compete, wanting to attract visitors to the north and eager to move products throughout the province, this highway is an integral link to existing and potential new markets which the north must capitalize on for our survival.

It is not good enough to say in terms of the highway that there is not enough traffic to warrant it. I think it is the chicken and the egg. If we had highway that could support additional traffic, we would probably in all likelihood very quickly realize the market that would bring to Sault Ste Marie. Without a first-class highway transportation system, we are at an extreme disadvantage with our southern Ontario and US counterparts.

Fifth, there have been no specific program announcements to deal with the loss of resource and manufacturing jobs in northern Ontario. This province has for decades benefited greatly by the varied natural resources and tremendous talents provided by northern Ontario residents, with very little capital reinvested in the north. The previous government made a commitment to decentralization of the public service and the Sault has benefited with the relocation of the Ontario Lottery Corp and the Ontario Forest Research Institute. However, with the continuing expected loss of jobs in Sault Ste Marie, similar programs are essential to allow us to properly diversify our collapsing economy.

Finally, in the state of Michigan, retail stores are open seven days a week and in Sault, Michigan, some stores are open 24 hours a day, seven days a week. If the NDP government prohibits Sunday shopping in Sault Ste Marie, Ontario, we will be hurt in two ways: First, American tourists will not stay in Sault, Ontario, where they cannot shop during half of the weekend; second, residents from small communities in the district of Algoma who come to the Sault to visit on a weekend would certainly drive to Michigan to shop, where the stores are always open and waiting for their business. This proposed bill, coupled with the devastating impact of the 1991 budget, will put the final nail in the coffin for Sault Ste Marie.

As president of the Sault Ste Marie Chamber of Commerce, I am frighteningly aware of the growing number of business people who are giving up the struggle or are trying to sell a business no one wants to buy. They feel it is hopeless to try and ride out the recession, because even if they are able to survive the recession, they will surely not survive the taxes.

The NDP government has attacked the very core of business psychology, the ability to predict and to plan. We are desperately afraid because we do not know what to expect. All we know is that people who risked their life savings, and the people who work for them, are suddenly the bad guys. You cannot expect business people to take risks, to take creative leaps of faith, if they are made to feel like the enemy. Unless the provincial government puts less

emphasis on the arbitrary rights of citizens and more on our responsibility to remain prosperous together, there will be no one left to pay for the NDP's regressive policies.

Thank you again for this opportunity.

Mr Kwinter: Ken, I was pretty taken with one of the things you have said, because I have felt all along that with this present government, everything is either black or white and there is no room for anything in between. I particularly want to talk about page 5, where you say, "All we know is that people who risked their life savings, and the people who work for them, are suddenly the bad guys," and that, "You cannot expect business people to take risks, to take creative leaps of faith, if they are made to feel like the enemy."

In the presentation that was just made before us, and I unfortunately did not have time to question the presenter, on page 5, in the very last paragraph, it says, "Instead, as public services are reduced, taxation on working people has been increased to allow the government to finance the 'free-enterprise pipe dreams' of its corporate supporters through giveaways and tax concessions." I want to ask you, as the president of the chamber of commerce in Sault Ste Marie, do you agree with that? How do you relate that to what they are trying to do with Algoma right now?

The reason I am asking is because it is my feeling that it depends who it is who is asking. When it is the business sector, these guys are bad guys and it is corporate pipe dreams. When it is labour, then it is great: "Let's give them some money. Let's help them restructure. Let's give them tax concessions. Let's do all of these things because we have to help them." But if it is business, they are bad guys: "We don't have to help them. We shouldn't be giving them anything." What do you feel about that?

Mr Lajambe: If I had to say, I do not think the business community really is on the New Democratic Party's agenda. I think we are there, but I just do not know where the hell we are at. I guess it is criticism of the system, but I can only relate to feelings. I cannot relate statistics that are going to tell you what is right or what is wrong with the presentation prior to my own presentation, except that in Algoma Steel's case the restructuring, to a large degree governmentally, has put the lid on spending in Sault Ste Marie because we do not know what is happening next. The reason we do not know what is happening next is that the union has come up with a plan, and it is all being regurgitated through the system and some day they are going to make a decision, the same as the federal government did not make the decision on the other \$10-million financing which would have bridged this a lot quicker and got things off faster. So that kind of interference in the process, without the due process of helping, is hurting.

In the business community, in my view, the feelings on this are that we have not had the consultant process which was promised at the outset by Bob Rae. We have not been consulted on any of the legislation to date. It is always after the fact, that I know of, and I am sure there have been some consultations during the process.

In any event, the final result of all the proposed legislation that is coming from this government contains an ad-

versarial component. That is the thing I have a hard time with, and we are going through it again now with Sunday shopping, which puts us in a contentious position, where the union has not commented on, with the proposed legislation on the minimum wage. It is all great, but it is going to drive an absolute, horrendous nail through this business community. These are things that have not come to pass but they are certainly coming to the fore.

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Where we stand as a business community related to the activities of this government with the labour community remains to be seen. I have a hard time with it personally and as president of the chamber I speak for the business community that have indicated their concerns over where we are going with this government. We have four years of this yet. We are not content that we are on the same damn wavelenght. I do not think that is an accident at times.

If we are not consulted as a business community, we are not going to make it as a province. You and I, as business community and the government, are going to be left in a hell of a position in four and a half years. Something happens to the New Democratic government in four years, what are we going to be left with? It is not a joint socialist movement. It needs to be considered something that everybody wants. Damn it, we cannot continue to be the enemy. When we see our members, we usually see them on some picket line in a lot of cases, we do not all due respect. We saw the Premier when he was chained to a tree or a bulldozer at Temagami where he was protesting. This is against business.

How the hell do you change overnight? We need to have partners and we are not. We are the enemy. I do not know where the hell they think the jobs are going to come from. They have to come from the business sector. There is no other place to get them. Where do we get money to support your programs? From the business sector. Where the hell else do you get it? At some point in time, we have to get together. I am concerned we have not done it, and that is why we are here. It is after the fact.

Consultation today is not going to change Floyd's budget. Conciliation or consultation last week is not going to change Sunday shopping. It is in the process, but it is not going to change a hell of a lot unless this means something. The meeting has to mean something to you as much as it means to me, and if it does not, we are wasting a hell of a lot of time here.

The members of the opposition in the Ontario government are doing the best they can, I am sure, to reflect the views of the business people, but I do not think they are falling on fertile ground. I sometimes think decisions already made that are not in the best interests of the business community. If we cannot do this together, I tell you, we will never do it apart, because there will always be that adversarial component which drives people apart and just cannot make for good relationships.

"Algoma is going to be restructured into a position where it is going to make it worth while. If this works, it will be a model for this province and probably for this country, and it can happen." That optimism, to me, is far too optimistic. I do not think we will see that kind of large facility, the

we make this work, it will mean that business and the on and the labour people can work together.” This is what I see as the downfall of the system today. We are all human beings. We are all dressed the same. We are all the same in underwear. We have different principles, we have to get it together. We are not the enemy. We are the people who make things happen in this province. We create the jobs. We want to be innovative and go out there with the capital we earn and do some more things, but everybody is hanging by a God-damned thread. There is a happy businessman in this community that I know who can say he has been a full partner in the affairs of government.

I do not apologize for the things I am saying about how the system is. They are not statistically provable, but the question is asked. That is how I feel as an individual. That is how I think my business community feels. I am hoping this government will take some credence from the things I am saying today, not individually but collectively, for my part, and make a difference. We have to make a difference and we want the difference to be something we can look back on and say that this government did a hell of a good job in the final analysis.

The Chair: You have half a minute, Mr Kwinter.

Mr Lajambe: I guess I used up all the time. I have feelings from the heart that mean a lot to me, and I am hoping that in talking to people they mean the same to them.

Mr Kwinter: I want to thank you. It really indicates that you are speaking from the heart and I think it is important.

How do you see the cross-border shopping resolving itself?

Mr Lajambe: Is this okay?

The Chair: You can go ahead. You have about 15 seconds. Maybe Mr McLean can ask that question.

Mr Lajambe: We had a meeting in Toronto yesterday with the Ministry of Industry, Trade and Technology and it was very positive. We appreciated that very much. The gasoline taxes still did it.

Mr McLean: Is the Sault open now on Sundays for shopping? What effect do you think the legislation with regard to a common pause day will have on the Sault?

Mr Lajambe: It will be terrible for us. We have proven that there is new money being spent on Sundays, Sunday shopping, by very measurable proportions. If there is a common pause day—I think in a city like Sault Ste Marie, where we have shift workers and they are off every single day of the week, any day is a pause day the day they are off. In Sudbury they have chosen not to have Sunday shopping. I do not know what the clergy think here. I do not know who was the catalyst or what group promoted a re-look at Sunday shopping. If there was a common pause day in Sault Ste Marie and it was on a Sunday, it is not a good day for Sault Ste Marie.

Mr McLean: We had a presentation previously from the UPE and it was not mentioned. Are they in favour of Sunday shopping or not?

Mr Lajambe: I brought it up in Sudbury at this discussion and the union in this city had not been heard from one way or the other. I see reason for that, because it is good. There is more employment—it is proven—and I do not think any union in its right mind would take issue with that.

Mr McLean: In the public hearings we have had in Toronto, very clearly the unions that have appeared there are very definitely opposed to it.

Mr Lajambe: Sunday shopping?

Mr McLean: That is right. They want a common pause day. Nobody has determined for me what a common pause day is, whether it is going to be Saturday, Sunday or Monday.

Mr Lajambe: It is the day you have off, to me, at the plant. Sudbury is a shift-worker city. Sault Ste Marie is a shift-worker city in the main, at least it was. There was no presentation in Sudbury from a labour group that I know of. As far as I am concerned, the common pause day is the day you have off. The religious groups were initially not in favour of it, and we have never heard a thing since we started Sunday shopping. Probably it is a model for the province.

Mr McLean: Gas tax is an issue that many people have had to come to grips with in the north. However, they got the same increase as everybody else got, 1.7 cents twice for the year. We had a brief yesterday supporting the policy of increased gas prices so that they would have fewer big cars on the road, the gas guzzler tax; they support that. I am concerned with regard to the tourism and trucking business in the north. How are they going to survive with an increase in the price of fuel from a government that had indicated it wanted to level the price across the province?

Mr Lajambe: We have a major problem, as you know. I do not know where your hearing was yesterday, but if it had been in the Sault, there would have been a lot more people out in the hall here than there were today in terms of gas and fuel, if that was the issue to be discussed. The truckers did a big job in Toronto on their thoughts about fuel prices. As a border city, in our business community our gas stations are in serious trouble. They are selling \$5 bits of gas to get people across the river. In the Niagara Peninsula, at a meeting yesterday, they said all they are selling is \$2 worth. It is tough. It is tough on tourism. It is not only tough on local merchants; it is tough on getting tourists here, which percolates down to the tourism business. It is a disaster.

With one stroke of the pen, Shelley Wark-Martyn indicated at one of the meetings a couple of months ago that this government may look at a shift of taxes to accommodate less tax on gas. Gas to us is a very precipitous thing and it triggers a whole pile of things. Number one, it takes you across the river and you can be there in five minutes; not coming any more but going. Once you are there: “What the hell, let’s go out for supper. Let’s go up to the grocery store. Let’s get some milk.” Remember, we have been cross-border shopping since day one here. It is not new, but the extent of it is terrible. We have a lot of people coming here every day. I cannot get into the whole cross-border shopping thing because it is not part of this.

Mr McLean: Has tourism in the Sault increased over the past year or gone down?

Mr Lajambe: It is down considerably. It is down 30% this year.

Mr McLean: I heard it was up 21%.

Mr Lajambe: The lock tour traffic is down 30% this year over this time last year.

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Mr Christopherson: Thank you very much, Mr Lajambe, both for a passionate and comprehensive brief and responses to some very interesting questions. I always enjoy the dialogue with the chambers across the province.

In listening to your comments about Algoma, I got mixed messages. On the one hand, you were concerned that business is not on the NDP agenda, then there were some negative feelings about our participation with Algoma and then I think you ended the comments with the hope that if it does work, it could be a model for the province. I suspect in terms of co-operation and wanting to work together, we are probably singing from the same hymn book. If we could lower the volume between us—I place equal blame in terms of why we are at this stage—I think we could close that gap and perhaps work together on more issues.

I must say that the feeling among most of us is that in the Algoma situation, we have played as positive a role as anyone could expect a provincial government to play. We responded immediately. Tony Martin, the member here, responded immediately to the issues as they were breaking. The Premier has been involved, as have the appropriate ministers. It has been our perception that we have been doing everything we can to try to bring some kind of resolve to that. However, I will leave that there.

I would like to move to a question. I found it interesting that you talked about the anti-recession program of the provincial government and stated that the Sault got \$20 million and that was not enough. I can appreciate that every community feels that way in one regard or another. The interesting thing is that in addition, to that concern, you expressed concern that there still was not funding for the four-laning of the highway. Nothing I saw here comes close to making the argument about or against the deficits that we have heard from virtually all other chambers of commerce and what I thought was the provincial position of the chambers of commerce, that they were opposed to that and that sacrifices should be made.

I have two questions for you. The first would be, is your position the same as your sister chambers across the province or do you have a different viewpoint about deficit spending and kickstarting the economy?

Mr Lajambe: We did discuss the budget deficit at great length immediately following the budget, when of course no one had a lot of information except those who were privy to it earlier, but I think the position at the moment is that inasmuch as deficit budgeting is now in place, with this government, then all we have to talk about is what can we do about it. Whether it was a good thing or not is now irrelevant. I think it has been said by Conrad Black and others that it was not a good thing to do. I am not a rocket-scientist financier and I do not intend to discuss the financial logistics of it other than to say that in Tom Corcoran's assessment of it for the Ontario chamber, the

deficit budget was a mistake and that has to be proved, disproven over time. I cannot comment for all the other chambers. Tom's position was it was wrong.

Mr Christopherson: I can appreciate that. Thank you very much. I really do appreciate your forthright answer.

The second part of my question would be more specific. It will make you a little more comfortable by talking about the Sault situation. Of the approximately \$20 million that is coming into the Sault, about \$640,000 is going to the YMCA for expansion of child care there. Local road construction and maintenance is \$500,000, and upgrading the E-wing of Sault College is another \$1.4 million. Those kinds of expenditures are consistent with our belief that we need to invest in our infrastructure because we are going to survive as an economy if we can compete in high value added areas.

I would like to ask you if you agree that this is the kind of spending that should take place and the kind of investment we should be making in our future?

Mr Lajambe: I have no problem at all with what that money went locally. I just have a problem with what the rest of it is.

Mr Jamison: I find your presentation interesting and certainly equate to where the community is. I came out of basic steel myself and worked there 20 years and I can only imagine what this community is going through at this point.

Because we are talking about expenditures and I would like to carry on from where Mr Christopherson left off, could you put into perspective what things would have been for this community if—for example, there is a strong relationship to transfer payments—I guess we all talk about that—from one level of government to another to the municipalities. The municipalities, of course, apply a tax levy. I know the city here is under large duress because of that, but what would have happened if we had, as the federal government did to us, frozen or capped the amounts at the levels of previous years rather than offer an increase? What would have happened to Algoma? I know Algoma Steel is in arrears at this point in paying its municipal property taxes and so forth. What shape would this city be in if we had not increased the expenditures through the budget to municipalities?

Mr Lajambe: The obvious.

Mr Jamison: What would they be?

Mr Lajambe: A lot worse.

Mr Jamison: What would the effect be on this community?

Mr Lajambe: Just getting the transfer payments dealing with Algoma Steel?

Mr Jamison: Dealing with the transfer payments to Algoma Steel.

Mr Lajambe: We just have a delay in \$4 million of \$6 million of the taxes from Algoma and that has already resulted in a 2% discount or at least immediate budgetary decrease. All of the tentacles from city hall are dependent on that funding, including the chamber of commerce. We do not get funding, but we do get payment to operate tourism information centres. So that is the first indication

Mr Jamison: It would have had an effect on your municipal taxes, of course.

Mr Lajambe: Obviously. Immediately. No question about it.

Mr Sutherland: I want to deal with your comment about consultation and the government's agenda. There seems to be a perception—Mr Christopherson dealt with it a little bit—that this government is anti-business. Maybe Mr Christopherson's analogy is there, but you mentioned there is no consultation going on, yet at the same time I talked about yesterday you were in Toronto at a meeting with MITT regarding cross-border shopping.

We have heard about Algoma and how this government wanted to get involved in the process in terms of bringing one of the partners with the different partners in the community, whether that be labour, business, the elected representatives, because Algoma's survival and success is the best interest of everyone in the community, participation in that when the federal government has decided not to.

The Treasurer met with many business groups before the budget. He has met with many after. We have had the Canadian Federation of Independent Business before this committee which said that they were being consulted to the hilt. My concern is that there seems to be a growing sense that we are not consulting, yet we are doing lots of consulting with people.

I would like to know your comments. What do you think as consultation? Can you expect the government or the Treasurer to consult with every single chamber of commerce on every issue, or every minister to come to every single chamber of commerce? How are you defining consultation, given what has gone on here in this community?

Mr Lajambe: I would like to think that this kind of consultation we are enjoying here today would have taken place prior to the formulation of the first or second reading of a certain bill. That is what I would say is consultative. I know Tom Corcoran from the Ontario chamber is in Toronto quite regularly and I know that Gillespie from the Canadian chamber and the Canadian Federation of Independent Business also see the government.

Do not get me wrong. It is not all wrong. It is perceptually wrong. There are good things happening every day because we all have the same objective here. It is to survive and to go ahead. That is the bottom line.

I am saying that things that affect northern communities particularly cannot be fed and watered from Toronto continually. We need to know what is happening up here. What is the consultative process I am talking about. There are not too many of us up in the north. We need things differently than southern Ontario does. We are fortunate in the Sault having two members of the government, one a minister and perhaps a to-be minister one day. Federally we have a New Democrat, so this is New Democratic country to a large degree. I think, based on that, we should be seeing a hell of a lot more of a consultative process, trying to do with the problems that are unique to northern Ontario. The uniqueness of northern Ontario is not being addressed in Toronto, in my view and in the view of the northern Ontario chambers.

The Chair: Thank you very much for your presentation on behalf of the Sault Ste Marie Chamber of Commerce. This committee will take your concerns and review them.
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TERRY ROSS

The Chair: Next we have Terry Ross, professor of political science at Algoma University College, Welcome to the standing committee on finance and economic affairs and the budget hearings. You have one half-hour for your presentation. At the end of your presentation the time remaining in that half-hour will be given to the three parties equally for questions on your brief.

Dr Ross: Good morning to you and thank you for the welcome. I want to clear up any misunderstanding. I am not speaking on behalf of my home university, Algoma University College, today. I think after my comments you will understand that some of the views I will be expressing may not be shared by all.

It is truly a welcome to you as members of the standing committee on finance to come to Sault Ste Marie. I think it is important for the government and for Parliament to reach out to the people. You are in a tough business these days. You are all aware that politics and politicians are held by many people to be less than a perfectly good game, that there is a great deal of cynicism about politics and the political process. It is widespread and it is very deep. I was struck by how deep that cynicism was last autumn when I was campaigning in the provincial election and knocking on doors. I have done that for over 20 years and I have never found people so angry, so upset, so disenchanted by politicians of every political stripe.

There is cynicism, and that cynicism works two ways. The people are suspicious and untrusting of the politicians. If they were not, we would not have the Reform Party making such strides and gains today. We would not have the kind of support that Glen Kealey is receiving today. You have to be aware that the people are unhappy. It is a two-way street because I think the politicians too often are transparently cynical of the people you ostensibly represent: too many broken promises, too many attitudes that you know what is good for the people. So I am happy you have come to the north. I am happy you are listening to a cross-section of groups and individuals from the north. That is important.

As I walked into the hotel this morning, a fellow sitting in a cab called out to me, an old friend of mine. He drives for Checker Cab. He has a BA degree, but he does not have a job with it in driving a cab. He asked me what I was doing and I said I was coming in to make a brief to the standing committee on finance on the Ontario budget. I said, "What do you think of the budget?" He said, "Well, it is better than the federal budget." That is really what I want to talk about, I want to compare the two a little bit and talk a little bit about budgets. I am going to be brief because I would rather have some exchange between you and myself.

Budgets are not really hot topics around the dinner table, but in the game of politics the budget is the most important and telling story there is. The budget tells us

what the priorities of government are; not promises but actual dollars and cents, what is going to be spent and where, and equally telling, from whose pocket money is going to come to pay for the expenditures.

Election campaigns are never as illuminating as budgets. This spring the residents of Ontario had the budget story told to them twice, first by Michael Wilson in Ottawa and later by Floyd Laughren in Toronto. The two budgets, federal and provincial, are a study of contrasts, two distinct approaches to macroeconomic policy reflecting, in my view, significant ideological differences. One is driven by the modern guru of monetary theory, Milton Friedman; the other informed by the late Lord Keynes.

It is useful to pause here and just take a look at what the two approaches to economic policy are that we are confronted with as residents of Ontario at the moment. New classical economics, or monetarism, or supply-side economics which is how it is usually referred to, is associated almost universally with political conservatism. This school believes in the inherent stability of the private sector and a very limited role for government, what some refer to as the night watchman state. The market is sacrosanct. Left to its own, the market will regulate all economic activity. Conservative governments in Britain, the United States, Germany and Canada, and even a labour government in New Zealand—I spent a year in New Zealand a year ago and was aware of the policies of that government—all adopted or embraced in one fashion or another the doctrine of monetarism with policies of privatization, liberalizing trade, deregulation, major cutbacks in social programs and very often union bashing.

Keynesian economics is associated with the interventionist state or what some call the welfare state; others call it the positive state. Proponents of this school call into question the role of the market as a primary regulator of the economy. Because of periodic cycles in the economy, booms followed by downturns or busts, Keynes argued that the state would have to intervene to restabilize the economy, heat up the economy when needed, dampen down when required, largely through public spending and taxation.

The Liberal government of Mackenzie King was the first western government to give concrete expression to Keynes's ideas. In 1945, the Department of Finance prepared a white paper which was called *Policy, Unemployment and Incomes*. That set out a specific plan for a government-managed economy which remained the keystone of government economic policy until the ascension of the Conservative government in 1984. According to Peter Newman, whom we are all familiar with, Mackenzie King saw Keynes's prescription as a way of purging capitalism of its defects without having to turn to socialism.

It is interesting to think of the kind of attacks we have witnessed on the Ontario budget of this spring, and how it is following policy so out of sync with current economic theory, yet the postwar period saw almost universal adoption of those very policies the government of Ontario is following at this time.

The federal Tories, not surprisingly, are attached to the monetarist school. When you examine the two budgets, the one thing that seems to come out—I heard it this morning

in the dialogue, especially with the briefs by CUPE and chamber of commerce—is the concern about the deficit. That continues to come up over and over again, that we are spending ourselves into the poorhouse.

Let's just take a look at the deficit. Quite simply a deficit is a shortfall between what a government raises during a year and what it spends. That is the simple part. We all know about that. Each one of us has to operate on our own budget, our own family income. But there is a distinction between a cyclical deficit which economists refer to as a cyclical deficit and one which is a structural deficit.

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A cyclical deficit is that part of the shortfall caused by variations in expenditures and taxes related to the state of the economy. A structural deficit, or what is often referred to as a cyclical-adjusted deficit, is the shortfall that would have occurred if the level of economic activity had been normal; that is, if the fluctuations in the business cycle had been ironed out.

This distinction is crucial for two reasons. The cyclical-adjusted deficit provides the correct measure of government's discretionary fiscal policy. Weaker-than-normal economic circumstances cause lower tax revenues and higher claims on public spending, through such statutory income maintenance programs as unemployment insurance and welfare.

Second, the cyclical-adjusted deficit is much smaller than the overall deficit. The large deficits that become a chronic feature of public finance in Canada are very largely due to weak economic conditions and political influences on levels of taxation, rather than a product of excessive generosity by the two levels of government.

None of this should deny the importance of the deficit where one in three dollars spent by the federal government goes to service the accumulated debt, but in emphasizing spending cuts as the solution to chronic deficits, we are left with the impression that the debt problem is one of excessively generous social programs rather than a poor economic performance, high interest rates, and a failure to increase the level of taxation, especially of business and the wealthy to keep pace with expenditure growth. In fact, there have been no major new social programs introduced since 1975. The cost of these programs has increased mainly because of weak economic performance during much of the period since the 1970s.

High interest rates, I think, are the real villain, but I do not have time to go into that here; the CUPE brief probably speaks to that. But debt and deficit reduction has become a national obsession; it is the number one issue.

I teach a course in public administration at Algonquin University College and I had my students engage in an exercise, a case study last year, in which they pretended they were a provincial government faced with declining revenues and increased expenditures, and they were asked to come up with a new scenario. Almost all of them chose a scenario that involved deficit reduction. It has become the dominant agenda in the late 1980s. It has become common for people to think in terms of the need to tighten their belts, that the government is too big and too expensive.

Increasingly, popular thinking is driven by the agenda of the rich and the powerful. I would like to quote a couple of lines from an article by Neil Brooks, with whom I think some of you are familiar. He teaches tax law at Osgoode, and I believe is vice-chair of the Fair Tax Commission. Brooks says: "The most obvious way that the rich control the agenda is through their almost total ownership of the mainstream media, and the funding of research think tanks. Their huge advertising budgets not only allow certain lifestyles and images to be sold to the public, but also provide a virtual veto over the presentation of alternative views in advertising-dependent media."

Equally important is the ability of the rich and powerful to impose their vocabulary on the discussion of public issues. When people adopt the vocabulary of the powerful, they unconsciously find themselves unable to imagine, or even easily discuss, alternatives. So we have now adopted a language of restraint, the language of deficits.

I heard that today. I heard the view that this government is antibusiness, that this government has an adversarial relationship with the business community. That is not surprising, because the corporate community has historically had an adversarial relationship to any party that espouses views similar to the NDP. We can go back to the views of J. S. Woodsworth and the creation of the Co-operative Commonwealth Federation and see how the corporate community bleats, and the minions in the media accept the views of the corporate community each time there are proposals made to have a fair and a more just society.

Budgets are about priorities, and as I said earlier, budgets make transparent the priorities of government. The federal government, led by Michael Wilson, has over the last seven years sought to restrict the role of government and create the image, both nationally and internationally, of a government operating in a fiscally responsible manner. Wilson's deficit-reducing budget of 1991 closely followed the advice of that senior voice of business in Canada, the Business Council on National Issues. Wilson's deficit-reducing package included cuts to social, cultural and environmental programs, a heavy blow against social justice where one out of every four Canadians lives below the poverty line.

Budgets result in winners and losers. Some pay more than others. The Wilson budget rewarded the rich and the powerful. The least advantaged in Canada, those with the weakest voice, will be paying more through reduced services, opportunities and social support.

The Ontario budget, in contrast, tracks in a different direction. Some people say the federal government is operating on a corporate agenda; I think that is largely true. It is indeed that the Ontario budget is tracking on the people's agenda; I hope that is true.

"Premier Bob is keen to convince the business community that his government is not wacko," and I think the quote comes from Bud Wildman. His Treasurer, Floyd Laughren, has brought down a budget which is responsive to the needs of people: women, students, native people, the unemployed, the homeless, and people of northern communities.

As a resident of a northern community, this last point is important to me, and this is where I would like to conclude.

I would like to direct your attention to comments by the editor of a community newspaper in Sault Ste Marie, Sault This Week. The editor is Randy Russon, and on page 2a of the current issue, he asks a series of questions about Sault Ste Marie. For example, "What has Tony Martin done for Sault Ste Marie since being elected as our MPP 10 months ago?" But the one I really found interesting was this, "When the New Democrats formed Ontario's opposition party, it proclaimed more than once how it was for the people of northern Ontario, but what has Bob Rae done for the north since taking power?"

We have heard a bit today of the \$700 million the Ontario government has allocated under the anti-recession program, and these figures—I am not sure how accurate they are, but these are rough figures—\$210 million of that \$700 million has come north; \$58 million of it has come to Algoma; over \$20 million has come to Sault Ste Marie, and \$3.1 million has come to my own Algoma University College.

I have yet to see any of the local media, electronic or print, acknowledge the money that has come into the north. That tells you something about the media. When Algoma Steel needed bridge financing, what government came through with \$10 million and what government did not?

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Mr McLean: Whose views are right, yours or your students?

Dr Ross: I beg your pardon?

Mr McLean: You had a test done in your school where, I think you indicated, your students said they did not like to see a deficit.

Dr Ross: That is right.

Mr McLean: You do.

Dr Ross: No, I am saying I am not keen on a deficit, because I believe a deficit creates intergenerational inequality inasmuch as if we do not do something about this deficit then it is passed on to our children, and I do not like that. I am saying that if you take a look at the serious problems this country and this province are facing at the moment, I do not believe deficit reduction is the number one priority.

Mr McLean: So your students' views are not what you feel is appropriate.

Dr Ross: That is right.

Mr B. Murdoch: I would like to congratulate you. You brought the NDP philosophy to this committee and you have done a pretty good job of bringing NDP views to us. I guess that is what you have been told to do and it is—

Dr Ross: No, I have not been told to do that.

Mr B. Murdoch: Well, obviously.

Dr Ross: I am not driven by instructions.

Mr B. Murdoch: I am sure you had a very dynamic speech to give us. We hear this all the time; let's just hear it once more. You did not really say that, but I assume you like more government, that you feel the government is going to look after everybody, so you are in favour of more civil servants and the government being involved in people's lives. Is that true?

Dr Ross: No, I would not say I favour more government. I would favour more effective government and a fairer society with a fair system of taxes. I do not think in every case more government is good government. In fact, I think ultimately what we have to do is consider ways and means by which people in their own individual communities can assume the responsibilities that have hitherto been performed by the government at one level or another.

I think we have to build greater responsibility within individuals rather than dependency on whomever it may be. But that is a slow process and I do not think we are currently on that trend. I do not think the state is more evil than any of the other institutions in life, quite frankly.

Mr Martin: I would like to thank you for the obvious preparation that went into what you delivered today and to say that, in my experience, I have never heard the story presented quite so eloquently and so clearly. It was an education for me to sit and listen to you.

I would like to ask you two questions, Dr Ross. One is—because an allegation has been made—why are you here today? What motivated you to come before this committee? Number two is a more technical question re your presentation, and the whole concept of consumer confidence in the middle of a recession and how that impacts on the economic activity and therefore sometimes the need for a government to get into, as we have, deficit spending. It seems to me that consumer confidence is very much based on the amount of money a consumer has in his pocket and whether he is willing to spend that or not. If we do not put money in the pockets of people the business community in turn winds up in trouble, and therefore the whole system is thrown into a tailspin and we actually have what we have arrived at today.

Dr Ross: I will answer the last question first. My preference with respect to macro economic policy is Keynesian policy. I do not believe that in the long term monetarist supply-side economics is going to work. That is my position. I think, yes, you have to put money into the pockets of individual people during hard times to keep the economy moving.

Fifty-odd years ago we had Bible Bill Aberhart out in Alberta in the Social Credit movement and he said the money system was like the circulatory system in the body: If it dried up, and there was no money, then everything would go bankrupt. I think, to some extent, Aberhart was

right. His approach was a little odd. That is perhaps understatement. There certainly is a need not only to get the cash registers ringing, but are we or are we not a highly developed civilized country, and Ontario the most developed within the country? If we cannot share the resources of this nation evenly in some fashion, then I think that is a real problem.

Why do I appear before the committee and who instructed me to say the words that I said? No one. I have been a New Democrat off and on over the years. Often I have been very unhappy with the policies of the New Democratic Party. To me, they lean far too close to the centre. I think their historical role should be to the left. That is one of the things I like about Floyd Laughren, Treasurer. To me, he was poured in the mould of a classical New Democrat and CCFer. He believes that the social programs that individual and average Canadians have struggled so damn hard to build and to get should not be sacrificed. I applaud him for that.

I hope that he and his colleagues are able to maintain a persistent struggle against those who would like, in the language of disentanglement or whatever else it may be, to transfer to the provinces, decentralization. We have to understand that there are certain basics that we as Canadians have and that make us distinct from our American cousins. We know damn well our American cousins look at us with great envy.

Teddy Kennedy came to Sault Ste Marie, Michigan, about 10 years ago.

The Chair: Excuse me, I am going to have to cut you short because we are dividing the time equally between the three parties and Mrs Sullivan has a question.

Mrs Sullivan: We have no questions.

The Chair: No questions? Then you can finish your answer.

Dr Ross: I will be very brief. Kennedy looked across the river and he said, "Across the river they have a health care program that is the envy of most Americans, and I wish we had it here." Do we want to see that dismantled? No. I do not think Floyd wants to see it dismantled either, and I do not.

The Chair: Thank you for your presentation. The committee will be recessed until 1:30. The social planning council will not be appearing.

The committee recessed at 1200.

AFTERNOON SITTING

The committee resumed at 1339.

CANADIAN UNION OF PUBLIC EMPLOYEES
SAULT STE MARIE DISTRICT COUNCIL

The Chair: I guess we can get started. We will resume budget hearings at the standing committee on finance and economic affairs. Welcome to the committee hearings here. I are from the Canadian Union of Public Employees district council. Would you please introduce yourself for the record. You have half an hour. The first part will be your presentation and the last part of the half-hour will be divided among the three parties on questions and answers.

Ms Primeau: I would like to begin by thanking the committee for the opportunity to come forward and speak on the topic of the NDP's proposed budget for Ontario. The issue is of such a magnitude and the input will so affect all lives that I cannot imagine anyone remaining silent on this issue. As such I have come forward to have my views heard. My name is Louise Primeau. I am a mother of three and a grandmother of a 14-month-old toddler. I am a trade unionist and I am president of the Canadian Union of Public Employees local for the Algoma Health Unit. I have not stopped worrying about my own offspring, their education, their health and their future, but I must begin to be that much more concerned for my grandchildren, who seem to have even less opportunities than our generation had.

I used to be an ostrich by trade, thinking very clearly that these issues around us were not my concern, that they simply did not affect me. In the recent past I have taken a change in that attitude. I now am an activist, a grandparent, a parent and a social worker. These have influenced me to become involved, and so I am here to talk for all those in my life who are looking for answers. I am here to speak on behalf of the silent ones, all the ones who are most vulnerable when it comes time to talk about possible budgetary constraints or program cuts. I am here to talk for our expected grandchild, due in February, maybe one of the last fortunate ones to be delivered into the world in the secure embrace of a hospital setting, especially should there be any further health care cuts.

I am not an Ontarian who wants to be on a waiting list for medical care should further hospital cutbacks continue. I am not the sister who would be pleased to visit her brother in Toronto because he cannot receive the necessary chemotherapy in Sault Ste Marie. I am not the daughter who would be understanding if my mother were not to receive lifesaving treatment for cardiopulmonary distress here in Sault Ste Marie. In these cases I turn to the provincial government and say people must come first.

I am in agreement with the direction the government wishes to take. I agree with the personalized way the NDP is looking at the budget. There was a time when I thought you had to be an economist to even have a basic understanding about economics or provincial government. Perhaps that is the case, or perhaps many would have us believe that is the case. Perhaps that is why the average Canadian remains silent on the topic, for fear of sounding

uneducated or unknowledgeable or for fear that his opinion does not count. Not enough people speak out. I felt very similarly until recently.

I am therefore pleased that the hearings are being staged around the province giving people an opportunity to participate. I do not hesitate to say I still do not understand the budget completely, or any budget for that matter. It seems simple enough in principle, but obviously has far-reaching implications when the magnitude involves the whole province and its population. One could argue that the fundamental purpose of the exercise is simply to ensure that the expenditures do not outweigh the income, that the left side of the ledger balances against the right side of the ledger. So the discussion continues endlessly in institutions, in business, in our homes and deliberately in government.

The NDP at present is in a very precarious position to say the least, one that should be no surprise to the masses. Their philosophy is people and not numbers on a page. The presiding government is taking a people focus, and I am here to talk about that and to affirm its position. I am here to support the provincial government of today and at the same time bring some criticism forward.

My first position is, who could argue with a government that wants to keep people employed and to keep food on their table? Who could possibly argue with minimizing any further devastation created by unemployment and program cutbacks? I have never been convinced that reducing jobs results in savings or benefits the community. It is simple for me to say I do not see any possible alternative at this time for the government to take. No one, including the NDP, likes that the bill is going to cost us a deficit of \$9.7 billion. However, given the reality of our current economic picture, the public realizes that to just maintain the present status quo means deficit spending at the very least. The NDP started in office with a deficit. They were very clear throughout their campaign about their vision in governing. They clearly underlined in their platform: people first.

The NDP is not so reckless as to want to take political positions that are not consistent with its election promises. We knew what those results would bring. There is no doubt in my mind that this is precisely what the appeal was in the September 6 election. The people of this province wanted a fresh approach. They wanted a new direction and a new vision. The NDP promised that. They therefore have an obligation to live up to those promises. Simply said, the NDP must live up to the obligations they made during that election. The NDP came forward and tabled a plan. The voters liked that plan. They liked the ideas and the leadership. They voted accordingly. The voters endorsed the NDP's platform by giving the party a majority government. The voters have dictated a mandate to this government.

Mr Mike Harris seems apprehensive about following the wishes of the people of this province. The delays in implementation of policies will not be honoured or tolerated indefinitely, and that is my criticism today. I understand as a voter that the NDP is governing for the very first time in the province and that it takes time to be comfortable in that

role. However, the government will be painted with the same brush if it drags its feet on all action. They have been given a resounding mandate to govern and so they must. Mike Harris should save further tax dollars by getting on with the business of the government. The voters are expecting leadership and the present budget demonstrates to me that the government is proceeding in a responsible fashion. That is my message to the hearings today, so let's move on from here.

I would like to briefly speak about housing and my understanding about what the proposal is as far as the budget goes. On a more favourable note, I would like to comment on the proposed plan for non-profit housing in this province.

This government has announced the provision of another 10,000 non-profit units, which will in turn stimulate the construction industry by creating 20,000 jobs, jobs that we need very desperately. Being in the business of social services, I see on a daily basis the need for safe, central and affordable housing. I am pleased with the government's direction and initiative in this regard. In future, when our circumstances improve, I would like to see further programs implemented that would assist young families, with home ownership programs made easier. Ownership often changes attitudes and instils a sense of pride and involvement.

Ownership might help minimize the oft-times unhealthy circumstances festering in highly populated housing projects. The decentralization of the units would help to integrate the targeted group into a more normalized way of living without identifying people on the basis of their income. The integration process alone helps to create a new environment where children attend neighbourhood schools with all social classes, all ethnic and religious backgrounds. We are committed to integration and normalization of handicapped people. Why then would we not be committed to the same philosophy of integration and normalization in housing? It only makes sense.

On the topic of violence against women, the Conservative Party in particular appears to be disenchanted with the government's proposed budget. No one argues that \$9.7 billion is a high deficit. No one disputes that if there were another way to proceed, the government would do so. But no one wants to argue against the proposed initiatives tabled by the NDP.

Who wants to argue against funding for treatment centres for women and children who have experienced crimes of violence against them? Who in the population wants to put the victims back into further risk? Who wants to deny a woman in an emergency shelter a bed that she has long waited for when she has just experienced wife assault and has no other place to go? Who would want to tell that woman, "I'm sorry, you just have to go back home because there is no bed for you"? My feelings on the topic of abuse are that abuse is by omission or commission. Our omission would be just as abusive by overlooking this very critical need in our society. There is no forgiveness for that.

In the same vein, the pay equity legislation needs radical surgery. In principle the legislation at least makes the political statement that our society needs to review our

practices and agrees that historically we have undervalued women's work. That is great in theory. We have built our structure a system that allows systemic discrimination. Pay equity legislation, although flawed practically in entirety, makes a statement that we recognize our error and wish to correct these inequities.

But that is not enough. The legislation does not add to the inequities in all places of employment for women in this province. The government has a moral obligation to take the legislation all the way to the end of the exercise. The government must continue to find equitable resolutions for all injustice arising from paying women on the basis of their gender. Pay equity was a critical issue during the last election. Promises have been made by the NDP to expedite the legislation, which would allow for proxy or proportionate comparisons for the workplaces that do not have male comparators. At present this is the very least that can be done to compensate women whose work has been undervalued for far too long.

1350

On the topic of employment equity, during difficult times there is always the temptation to overly criticize the government for new initiatives. The employment equity legislation is progressive in nature. It is most regretful that individuals would even require protection that ensures employees have equitable representation and reduces systemic barriers to recruitment, retention and promotion. In an ideal world we would not require such legislation, but as we know, this is oftentimes less than an ideal world. Employers most often are compelled to do the very least required by the legislation. In fact, some would not even make certain provisions unless they were legislated. In such, the employment equity legislation, in my mind, is an extension of the human rights legislation. It is consistent with the Charter of Rights and Freedoms and grants the same access to the workplace to original people, people with disabilities, francophones, racial minorities and women the same access to the workplace as others. To me, that is the right thing to do.

On the topic of social assistance reform, it is difficult particularly at this time, to talk about the necessary reforms but the topic of social assistance is most contentious at the moment even during non-recessionary times. Having been a direct beneficiary of the social welfare programs, I lend my voice with pleasure to the proposed reforms. I am pleased to see that recipients are treated with dignity and with expediency. I am particularly pleased that mechanisms are in place for reviews, such as a Social Assistance Review Board.

My criticism on this topic, however, has to do with ownership. I believe very firmly that the state is only one element in supporting a family through difficult times. I believe that there are other key players who have to be considered and have not been overlooked in meeting their obligations.

As we know, when there is a family breakdown, a frequent practice to date has been for children to reside with their mothers, although this trend has been changing in recent time. Nevertheless, I believe the courts and legal systems are too lenient in encouraging financial obligations from the children's fathers. I believe we should be much more consistent in having the absent parents meet

responsibility in both financial and emotional support dependants.

All fathers should be expected to make contributions, either voluntarily or involuntarily. These contributions should not be negotiated through the children's mother. Regardless of the marital status of the couple, a financial law should be mandated on a very regular basis. I stress financial component of the father's contribution should be apart from that of the family, as this often leads to her reprieve. The onus is on both parents to provide for offspring, and I am convinced that there is still not an equal distribution of responsibility and of obligation.

At the same time, I am an advocate for fathers' involvement in rearing the children. When circumstances permit, I believe emphatically the father has the right to be involved in the child's life. All of society benefits in this culture. Education is the key factor in changing deeply entrenched attitudes and practices that have prevailed.

Transfer payments to agencies: It is redundant to say that we are smack in the middle of a recession. We all know that. The NDP has elected to fight the recession and the deficit. I agree that this is the right approach to take. I have been particularly pleased with the government's emphasis on partnership in governing, with the reaching out to business and labour. I therefore believe the government must be just as consistent in its relationship with those it sponsors through transfer payments. I believe, since the government's intention is to fight the recession, not the deficit, it in turn must advocate for wise spending.

They must advocate that agencies enter into compulsory reviews. The purpose of the review is not to cut jobs in any way, but to ensure that the services are cost-effective and streamlined. The compulsory reviews have a new accountability. The accountability does not come exclusively from management slicing of programs. It must rather come from a joint effort between management and labour. Both forces must assume a responsible, mutual partnership for the problems. The government must discourage and even probably abolish the hierarchy structure that has far too often resulted in top-heavy decisions.

All agencies should be compelled to review how they can improve providing services to the recipients. The focus of the review is the emphasis to be placed on clients' needs, rather than on paper focus. Every staff member must be encouraged to participate in this process. That will inevitably improve the service and ultimately save tax dollars. The thrust of the review is on self-assessment.

This government has emphasized its belief in people, its belief in the importance of people. I am convinced the reviews will likely result in creation of new jobs because of the cost-saving measures on all fronts of the business.

In summary, what I would like to say is that I am pleased you are here to listen to the people and that I am confident you will do just that.

The ultimate message I would like to feed back to the provincial hearings is that there was no mistake in the September 6 election. The results were because of careful orchestration between the New Democratic Party and the voters. There is, further, no doubt about it that the results

were contingent upon a long-standing discontent from the voters in this province.

The NDP could not have done this alone, however. This must give thanks to the Tories, and the Liberals as well. Their governing provincially and federally has resulted in widespread turmoil. I am convinced that unless there is significant change in direction on a federal level as well, we will see the same sweeping effect in the next election. Very few are pleased with the favours provided through the Tories with the implementation of the GST, free trade, deregulation and privatization. The civil service is less than enthusiastic about the possible wage freezes being recommended.

The NDP has done its homework to get it this far in the process. Winning the election, however, was only step 1 in the vision. Fighting the recession is step 2, and governing is definitely its obligation. The NDP has been hired to do the job, and that is exactly what it must do. I am confident that we are well on the way to the road to recovery when we walk in joint partnership in governing. That is the thrust of my presentation, the joint partnership.

Mr Martin: I want to first of all thank you for your presentation and for coming today and participating in this consultation. To me, it is the essence of democracy.

We were certainly criticized resoundingly before the budget by the opposition and those who would normally criticize, and actually even by some of our own people, for not doing enough, for not living up to the promises we made on September 6. There was a statement that went across the floor in the House, "That was then and this is now." Well, this is now.

In the budget we proposed to do some things that spoke to that agenda. However, you have come today and I think affirmed us in that, but challenged us that we really have not gone quite the distance yet and that there is more to be done. I heard that loud and clear.

The one I wanted to focus on, though, in terms of maybe some comment from yourself, is your concern about your grandchildren. There are those out there who tell us we have made a mistake by putting the price of the deficit on the backs of our grandchildren. You are coming today to share that concern, I think from a different perspective. If we do not get into the housing programs you mentioned, if we do not get into the pay equity programs you mentioned, your female grandchild may pay for the deficit or non-deficit in a different way. Perhaps you might want to expand on that.

1400

Ms Primeau: What I would like to do is clarify a little bit about my position. I guess there are a multitude of factors that are influencing me in taking the positions that I have. First of all, I am not a number-oriented person. I truly believe that sometimes placing a certain emphasis on numbers is somewhat of a fictitious exercise, although I realize numbers place limitations on what governments are able to do.

At the same time, as I said very clearly, I am a grandparent and I am concerned about my grandchildren. I am concerned about my own son, who does not have a job and who depends on certain programs. I am concerned that there is nowhere to go and no possible future at the rate we

are going. I rely on the government to help those who are underprivileged and assume that they are going to be able to eat today and tomorrow.

Ultimately, the thrust of my paper, in talking about a budget, as I said very clearly, there was a time I would not have come forward. I thought it was none of my business and that to achieve harmony in your life, you just go and mind your own business and these things do not impact on us. I have recently had a very serious change of heart, because I think unless we come forward and say something—I am impressed with where the government wants to go, and as a result, I voted accordingly in the last election. I believe very seriously that the true resource in this province is the people and that we have to lend an ear to what is going on, that we have to support them through a recession and that we have to be attentive to their needs in the community.

Sault Ste Marie undoubtedly is in the middle of a crisis. How long-term it is going to be I do not know. None the less, I think that at this time I see no other alternative for the government, regardless of what government was presiding right now. I feel very confident that there are no choices. To not focus on the programs, to place more attention on the deficit in the programs, means cutbacks, means placing more people on welfare and more people on unemployment. To me, that is not the right way to go.

The Chair: Thank you very much, Ms Primeau. The research staff just asked, are you making this presentation on your behalf or on behalf of the union?

Ms Primeau: On my behalf and on behalf of the union. It is joint.

Mr Mahoney: I quite enjoyed your frankness at least. You have not hidden the fact that you are an NDP supporter and voted that way in the last election, unlike some of the other deputants who have come before us with very strident partisan views, trying to pretend they were just citizens off the street, when indeed they were here in support of the government with very partisan views. At least your honesty is refreshing, if nothing else.

I too would have concerns for your grandchildren. I found some of your statements quite interesting. I think even Bob Rae would admit to you that no one was more surprised in this province on September 6 than Bob Rae, and it was not a result, I submit to you, of some well-conceived plan of communication between the NDP and the people. Most of the men and women who got elected in their ridings frankly did so by accident, did not do so by design, in my respectful submission to you. Having said that, that is democracy and that is the way life goes and we live with that and we respect that.

The one area where we do agree is in your comments about Mr Harris and the fact that we should be getting on with it. In fact, these hearings are nothing more than a sham and are not the essence of democracy by any stretch of the imagination. The budget is in place, the decisions have been made and presumably the money will start flowing, if the government ever gets off its collective duff and starts to implement some of the programs.

But the reality is there will not be changes in the get as a result of these hearings. There will not be change in any of the legislation or the programs as a result of the hearings. We are simply here because the Tories decided to hold up the democratic process in the Legislature. The party was not part of that process. However, we are part of the legislative process, and as a result, we go along with the will of the Legislature and the Premier, in his wisdom, in kowtowing to the leader of the third party, who decided to conduct these hearings as some form of democratic process that has become merely laughable.

When you look at the agenda in Thunder Bay yesterday and here today and tomorrow in Sudbury, you can clearly see that the research people of the government party have done a tremendous amount of homework on the ground, and I complimented them yesterday on doing so. They did not sit back, unfortunately; they went out and frankly, stacked the hearings with people who were sympathetic to their budget.

Having said that, and recognizing—

Mr Sutherland: On a point of order, Mr Chair: for the record, do you remember that all three parties had input on deciding who the presenters would be at the hearings in all the communities?

Mr Mahoney: Having said that, and recognizing that the democratic process is at least attempting, I suppose I will listen to people, we all know what is not going to come of this.

You say, who could argue with the government, what are all its laudable goals? Frankly, I quite agree. What we are arguing about is the method. What this budget has done is set forth a course for doubling the total debt. Let's separate the deficit, which is like an overdraft, and debt, which is like a mortgage. They have doubled—

The Chair: Mr Mahoney, could you get to your question?

Mr Mahoney: If I want to ask a question, I will. I may not.

The Chair: Well, your time has run out.

Mr Mahoney: Three minutes is up?

The Chair: Yes.

Mr Mahoney: That is good. I do not have a question.

The Chair: Okay. I just thought maybe you had a quick question.

Ms Primeau: Am I able to respond then?

Mr Mahoney: Just think about your grandchildren. They are going to be in serious trouble.

The Chair: Mr McLean.

Mr McLean: I have a question for our witness. When the budget was introduced and read that evening, the price of cigarettes went up, alcohol went up, on July 1 gas went up. Can you name me one thing in that budget that has not taken place through the normal process because of Mike Harris?

Ms Primeau: At this particular time?

Mr McLean: Yes.

Ms Primeau: No, I cannot. What I can say is that in observing what was going on in the process, it was so frustrating and what entertaining to a degree.

Mr McLean: You said you were pleased to be here to listen and to make—

Ms Primeau: To be heard.

Mr McLean: To be heard and make your presentation. Would you not want to give Mike Harris any credit allowing that to happen?

Ms Primeau: I would give him that credit, but to that I would like to add that no one came looking for me, nor do I feel I have been part of a stacked deck. No one called me up and said, "Would you attend?" I felt quite delighted having an opportunity to be here and submit to you what my views are as an individual and as part of an organization.

Mr McLean: I am very pleased you are here and you made a great presentation.

The Chair: Thank you.

UNITED STEELWORKERS OF AMERICA

The Chair: The next group before the committee is the United Steelworkers of America. Would they come forward, please. Welcome to the standing committee on finance and economics, the budget hearings. Would you identify yourself for Hansard, please.

Mr Ostroski: I am Jack Ostroski, and I am the president of Local 2251. I will go through that in my presentation, which I am prepared to distribute, but you have already euchred me. It was my understanding that Mr Wiseman was Chair.

The Chair: He was.

Mr Ostroski: The document I have is addressed to him, Mr Chair. This will not be a lengthy presentation. I am sure you will appreciate that. I was solicited to see if I wished to appear by the local labour council. In any event, for the Chair, for Mr Wiseman, I have a bound copy, if somebody would pass that up. The rest of the committee I thought would be satisfied with photostats.

In any event, ladies and gentlemen of the committee, my name is Jack Ostroski. I am president of Local Union 2251, United Steelworkers of America. Our members, approximately 3,600, are employed at Algoma Steel Corporation in the production and maintenance unit. Over 2,000 other members are on layoff.

Ten years ago this month the numbers were 8,100-plus members in our local union. No member was laid off. In fact, the company was hiring permanent and vacation replacement employees; quite a contrast. A large number were permanently displaced the following year as a result of that recession, and the numbers have fluctuated over recent years according to the business conditions in the steel industry.

The current recession has affected employment opportunity at Algoma and at other steel producers in Ontario, as well as other areas in Canada. Talk of an economic recovery has not resulted in the reality of an economic recovery in the markets the steel industry depends upon, and in my view will not likely improve to any great extent until the new year.

10

What has all this got to do with the provincial budget? Not much, unless the government of Ontario had followed

the example of the federal and other provincial governments in slashing spending and reducing services to their constituents.

Ontario, recognized and envied as the major engine of the Canadian economy, correctly chose not to exacerbate the steadily worsening downturn in all sectors of the economy, particularly in this province. The government's decision to invest in the province and the people in it will not be and has not been applauded by much of the business and financial interests in this country and elsewhere. There are many who recognize that bold measures are needed when the alternatives, in human terms, are more acceptable.

The Conrad Blacks and the Gucci coalitions protest in the press and at Queen's Park only when they perceive their ox being gored, making dire predictions about the severe consequences of the government's budget down the road. What they are mostly concerned about is that when the eventual turnaround occurs in the economy, they will be required to pay their fair share towards reducing the new debt. They also conveniently forget to mention that the NDP government did not invent deficit budgets, either provincially or federally, and have been disproportionate beneficiaries in the area of taxation, compared to the working poor and the workers generally, who do not have the luxury of tax and investment write-offs.

Yes, the other parties constantly campaign on and advocate tax reform. Frankly, the average taxpayer is sick and tired of such reforms, and is at the stage of advocating tax revolt to ease our burden. The critics fail to emphasize that this government inherited over 85% of the current budget deficit from the former government that crowed about the surplus during the campaign of 1990. We all should recall how the former Treasurer backpedalled time after time until the truth of the matter was revealed towards the end and after the election was over. It seems there were some slight miscalculations.

The main purpose, however, of this presentation is to encourage and support the direction this government proposes in the budget yet to be debated and enacted. Investing in improving the circumstances for the people of Ontario—the worker training, housing and infrastructure, the commitment to support improvements to educational facilities and other training—will provide long-term benefit and return, more so than if the decisions had been taken to reduce and curtail such measures.

I have always been supportive of having to pay my fair share for education, for the social network and the government services we require. I do not support paying taxes when any government abuses taxpayers by providing largess for their friends and supports, throws vast amounts of money into bailouts of financial institutions and their investors, or seemingly gives away plants, facilities and whole industries which the taxpayers originally developed and financed, all in the name of privatization. At the same time, the federal government contributes to the provincial deficits by reducing the transfer payments to the provinces, particularly in the most costly areas of the provincial budgets: education and health care.

Health care in northern Ontario is particularly costly to citizens because of distance and the fact that every

community does not have a full range of medical and hospital services at hand. Some specialties are only available if one travels for hours to a major city. A neglected aspect of health care costs that must be addressed with regard to travel costs exists in dental care specialties. Orthodonty and periodonty, for instance, are not readily available here in Sault Ste Marie. Consequently, parents must take time off from work to travel to Sudbury from the Sault for over three hours each way, at their own expense for travelling.

Ontario does not have a safe and convenient four-lane highway system across the north to connect the four-lane systems at Ottawa and the Manitoba border. Still, we pay higher gasoline prices and taxes, as well as the tax on tires, while receiving fewer of the amenities of travel. While Highway 400 keeps being extended northward past Barrie to provide safer and faster access for southern Ontarians to cottage country, we northerners have to follow long line-ups of tractor-trailers, campers and Sunday drivers until the next passing lane where one to three may be able to pass the slower vehicles. Too, and most recently, innocent oncoming drivers have been killed or have taken to ditches to avoid coils of steel. Another such incident was reported today.

A commitment to finish a four-lane system across Ontario, in stages, would prevent the killing and maiming, while at the same time contributing to the economies over those routes in each community across northern Ontario. This issue should be addressed now and in future budgets.

Education and skills training plus support in the development of secondary and tertiary industry associated with resource and manufacturing capabilities and similar potential must continue to be a high priority, both in government policy and budgets. Sault Ste Marie and area are well positioned geographically and demographically for the development of markets southward for extensive trading opportunities. This area is closer to millions of American customers than we are to Canadian markets to the east of us. With proper planning, this area can exploit such potential and become a significant contributor to the provincial and federal economies. The highway and waterway advantages could greatly complement future penetration of southern markets.

There are other areas of the budget that we could address, but I am sure that others have done so at the various sessions of the committee held so far. The main point being made in this presentation is that, while the economy and world market conditions currently are in the doldrums, such events are cyclical. What has to be done is to provide for the forthcoming turnaround without savaging the population and the communities they live in, by contributing in a positive way.

Many communities and individuals are benefiting from the decisions taken by the provincial government in this budget. This community and area certainly has projects under way that contribute to employment, keep people off welfare rolls and alleviate some of the despair associated with the circumstances at Algoma Steel. Those are also being addressed. The provincial task force established in support of the restructuring requirements at Algoma Steel has contributed in no small way towards keeping the company going until alternatives to severe downsizing or bankruptcy can be negotiated. So far the result has been in the interests of this area, in maintaining operations providing

much-needed employment and contributing to the local and provincial economies. We are grateful for these actions by the government as well. We appreciate the opportunity to make this presentation. Thank you all very much.

In case it is going to be raised, I am not only a member of the NDP, but also a member of the CCF. Some of the younger people may not remember that party. In any event, I have been a northerner all my life. My home town is Espanola, just down the road. You are going to be driving past it. I have been here for over 41 years. I started at Algoma Steel on June 15, 1950. In a variety of ways, except for the most recent 6 years where I was in Kingston as a staff representative for the steelworkers, I have been involved not only in this community but other communities in a variety of ways.

I am approaching my 25th year as a full-time union officer or representative. I am quite aware of some of the problems we have, not only in the steel industry, but in other parts of the economy as well. Certainly, allowing Algoma Steel to go bankrupt is not going to contribute what we believe is a necessary resolution of that problem and certainly will be of no assistance to this community, to the economies of Ontario or of Canada. We are not going to let that company fail. We are not going to downsize this community by a third to one half of its population because that would be the result of it. I did not write all this but I just wanted to make that point. Thank you.

The Chair: Thank you. Mr Mahoney, to start off with. We have approximately four and a half or five minutes.

Mr Mahoney: That is all? I will leave some time for Mr Kwinter. Thanks, Jack, I know you are obviously under a lot of stress these days in the ongoing negotiations and the concerns.

Mr Ostroski: I do not get ulcers. I give them.

Mr Mahoney: Yes, I am sure you do. I do appreciate your position in the community. I know you are highly respected and have a long history of working with me and with others in days gone by with the steelworkers. I appreciate that. I found your presentation interesting and we got over the partisan shots and all of the stuff and a little bit of the politics and got down to some really good ideas. I do not know where you get the figure of 85% for the current budget coming from us. That is not true. I do not know where that fact comes from. It is not even close.

Mr Ostroski: Excuse me, if I can just interrupt for a second. I did not see all the bottom-line numbers, but it was somewhere in the area, and a very rich area, of about \$8 billion.

Mr Mahoney: No, I am sorry. We could go through all that, but \$4.5 billion—maybe Mr Kwinter will give you those figures. I can give them to you as well, but not even close. I think your ideas on the road construction and the economy are good. I think they are interesting. What I find really interesting, however, is that none of them are in the budget. They are things that you are saying should have been, in reality, and should be done from a safety point of view, from an industrial point of view and from tourism and the benefits of the north. This being my home town originally, I well understand that northern Ontarians

different kettle of fish from the Mississaugas and the Ontos of this world. There are very specific problems. I'm concerned, though. I understand your boss, Mr Gerard—I don't know if he is your boss or not—is now poised to move into the national director's chair, formerly held by your dad, and with some of the advice that has been given I could just tell you that it gives me a lot of concern. I fear for the steelworkers, I fear for this town and I am delighted to hear your commitment to try to save the plant, and to save the Sault, because it is a great spot. I know Mr Kwinter must have some questions.

Mr Ostroski: Could I just comment? I attended the session of the policy conference when your dad was chairman in 1977, and on behalf of the local union and his fellow workers, because he came from Algoma Steel originally, as a member of Local 2251. Certainly we had a long relationship. I thought an educational relationship because I learned a lot from him.

Mr Mahoney: So did I.

Mr Kwinter: Mr Ostroski, I just want to set the record straight about the deficit and the problems with it. There is a misconception, and it seems to be shared by the government members, but they actually had control of the treasury for six months of the last fiscal period. The election was September 6, the fiscal period ends March 31, so for six months of that period they were in control of it. The headlines screamed, right after the election, \$750-million deficit, and everybody yelled and screamed about what a terrible thing happened that this government had left this \$750-million deficit. Floyd Laughren appeared before our committee in pre-budget hearings and said, in February, that the deficit was going to be \$2.5 billion. That was six weeks before the end of the fiscal period. He then had to stand up in the House and say that it would now be \$3.5 billion. So, in a matter of about three weeks he had miscalculated by \$1 billion—in three weeks.

Where you get this \$8.3 billion they were left with, I don't know. But I can tell you this, he had the option, he chose to write down SkyDome, he chose to write down the CRTC to inflate the deficit then. That was his decision. It is not anybody else's, and the deficit—I am not condemning him for it. I have to say, in defence of Floyd Laughren, he has stood up publicly on several occasions and has said that this deficit has got nothing to do with the federal government per se; it was the result of the recession and anticipated revenues that did not come in. Now, he has said that, and he has never, ever pointed a finger at every single group that comes in here that is critical to lay the blame—this is the highest figure I have seen yet, where you suddenly said that \$8.3 billion was left by the former government. This is just not true.

Mr Ostroski: No matter what you write down, if the deficit in principle and interest in most cases in business—microeconomics is not the equivalent of Economics 101—is that the bills have to be paid. My understanding from what I have read, and I read it in the Toronto papers so it must be true, is that those are the numbers that have been—

Mr Kwinter: Most people do not believe anything they read in the Toronto papers.

Mr Ostroski: I do, because they are so much smarter than us plow jockeys up north. I am not going to debate the numbers because I have a hard time managing my own budget at the office, without worrying about the federal or provincial government. I am sure other people would debate that question with you. In any event, the scaremongering, if I can use that term, about mortgaging everybody's future, and including my children, 6, my grandchildren, 9.4, is really not productive in the situation in which this economy and this country and this province and this community are found. Certainly, I believe we all have spent beyond our means at one time or another. I know I did. I came that close to bankruptcy when I was in business in Elliot Lake the first time Elliot Lake went down the tubes, so I have some experience in regard. Certainly, from the ox I have been gored by, Algoma Steel, I have had nothing but numbers and numbers and numbers for the last four months. In any event, the deficit spending by government has probably paralleled here the deficit spending by Algoma Steel. It puts them in the same position. However, people do not foreclose on governments. They foreclose on companies.

Mr McLean: I thank you for your presentation. The thing I like about it most is the highway proposal. That I think is an investment in the future for tourism, and not only that, but it will create a lot of jobs and get people working instead of being unemployed.

Does your union agree with the common pause day as proposed in the legislation?

Mr Ostroski: Yes, it does. We initiated it. You are talking about April 29?

Mr McLean: No, I am talking about the Sunday shopping bill.

Mr Ostroski: I am sorry; I am thinking of the day of mourning. Yes, working people have to have time to be with their families, the children and grandchildren the presenter before me mentioned. Also, as a part of our policy, we negotiate time off, days off during the week, vacation periods, statutory holidays. So certainly it is not in any conflict with what we do in the workplace.

Mr McLean: I have a problem trying to determine which is the common pause day, and nobody has indicated to me yet what is the common pause day. Is it Saturday, Sunday, Monday? I am one who used to work seven days a week too, so I know all about the opportunity to have some time with my family.

Mr Jamison: You do not now?

Mr McLean: And I still do now, that is right. But the fact is, the business in this community relies on a lot of tourism and shopping and one of the presentations we had this morning certainly indicated that they wanted to open Sundays.

Mr Ostroski: You have to understand that I just returned back to Sault Ste Marie on May 12. That debate has been going on. I personally shop very little across the river and I only do it—I buy my gas if I am on a trip. I do not go over there and shop for anything. I have the gas receipts

and everything else. My clothes, my car, everything I own that I can possibly buy, made in Canada is the policy. My children have been told if they bring a foreign car to my driveway I burn it. That is how serious I am about that. It does not help the steel industry at all.

Mr McLean: I am glad to hear you because I am the same way. In other words, you disagree with the business community? They want to be open and your union feels they should not.

Mr Ostroski: I am not really certain if the local union, prior to my return—our first membership meeting was May 15 of this year—has taken a position on the common pause day because I have not had a chance to read all the minute books yet. But I believe there has to be a common pause day and wide open—whether it is for tourists or for business purposes, I do not know how anybody can spend more money in seven days than they can afford to spend in six days, or for that matter in five days.

Mr McLean: Is the steel plant open on Sundays?

Mr Ostroski: Yes. It is the nature of the beast.

Mr Jamison: Welcome, Jack. I am pleased to see you here today and I echo Mr Mahoney's sentiments, that you are a very respected member of the community.

Mr Ostroski: I wish you would all stop buttering me up.

Mr Jamison: I have been visiting here since 1981 and for people who do not know, I have gone through probably a few sets of negotiations with Jack and through the steel-workers. I cannot help but think of the situation that Algoma is in because, coming from the basic steel end of things, I know how I would feel and how this community would feel at this point in time. I think about the fight over free trade and how we have participated on the opposite end of things there and companies were saying that it would relieve us of voluntary restraint agreements and things like that. Certainly the Americans share much more of our steel market today than then. I would like to commend you on your work in bringing that partnership together in the restructuring area and heading down a road that has to be travelled, and working very hard at that.

My question, Jack, to you concerns your membership and your community and the budget. If we had followed the Conservative philosophy that the federal government had hoped we would follow, if we had frozen transfer payments to the community, if we had ignored the need for restructuring in infrastructure, what effects would there have been, Jack, on this community, a community that is already going through some tremendous change and potential for change?

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Mr Ostroski: Certainly I am aware of some of the funding that has gone into programs in this community and the surrounding area. The one I guess you can go and take a look at is the one outside the Holiday Inn, where they are putting in the current walkway and the retaining walls, etc. The report I heard on that last night was somewhere in the area of a \$3-million project, a lot of it funded by the federal—or provincial government; a Freudian slip.

From what I have heard our mayor speak about when I read the local paper, which I have not done for a week, I am aware generally, but I do not have time to tally. Some of the numbers, and it may be disputed cause I do not have the actual numbers—I believe for community and surrounding area, somewhere in neighbourhood of \$20 million to \$27 million are figures I have heard—you can correct me on it—that have been made available through a variety of grants and transfer payments, whether it is to do with schools or other municipal works, not only in the city but in the surrounding area that have contributed significantly to the reduction of the number of people who would probably be laid off on welfare. That is the information I have read. Of course, I read it, I know it must be true.

Mr Martin: I as well, Jack, appreciate your being here today and I certainly also appreciate the change in tone and comment of Mr Mahoney as he spoke to you. Perhaps it was his father's influence, I am not sure—

Mr Mahoney: Do you want to hear some other stuff?

Mr Martin: —as it stacked up beside his comments and attitude towards the previous speaker.

Mr Mahoney: I know a gentleman when I see one.

Mr Martin: I wanted to speak to you also about the budget deficit and perhaps throw some clarity on that question. Certainly \$8.5 billion of that deficit would have been in place no matter what government took over the province and I think that is probably where your percentage comes from. The other thing I would like to thank you for is your comment, as well, around Algoma Steel. This morning we heard from the chamber of commerce that perhaps the Ontario government's participation had so much how fuzzied the waters in that process. Maybe you could comment to us about the Ontario government's role?

Mr Ostroski: The task force that was established is a catalyst for all of the things that have occurred since the interim funding in the first stages, starting in February and also assisting in the loan guarantee as one of the stakeholders and I believe a significant stakeholder. They represent the people not only of the province, but of Sault Ste. Marie. That, along with what the banks did, Dofasco and the employees did, and the federal government chose not to assist, is ensuring the plant can keep operating at least until the end of October, by which time we hope to have a restructuring plan in place.

Restructuring Algoma Steel is going to take significant sacrifice by a lot of people, including all of the stakeholders. On the other hand, the consequences of the proposed Algoma/Dofasco restructuring plan or bankruptcy, because we are currently in a bankruptcy court—I do not want to stare that one in the eye. If that plant goes down it will never be restarted. Some people think that somebody will come along and pick up the pieces, but that is not what is going to occur. Nobody is building integrated steel mills any more. They are building mini-mills. The overhead and the cost associated with vast debt and everything else has to be restructured, otherwise this plant will go down as well. It is as simple as that.

The Chair: Thank you for attending and your submission to the committee on the budget review hearings.

VICTORIAN ORDER OF NURSES

The Chair: The next group is the Victorian Order of Nurses. Would you come forward, please? Welcome to the standing committee on finance and economic affairs, the budget hearings. You have a half an hour for your presentation, if you can leave some time at the very end for questions and answers from the three political parties, which will be divided equally. Would you please introduce yourselves so Hansard has a record?

Mrs Blunt: Thank you. My name is Antoinette Blunt, I am the executive director of the Victorian Order of Nurses, Sault Ste Marie branch, and this is Mr Leslie Barber, business manager.

I am very pleased to be able to make this presentation on behalf of the Victorian Order of Nurses. Following my presentation I will respond to your questions. However, if I do not have the appropriate information, I will ensure it is forwarded to you as soon as possible.

The 1990s are proving to be very difficult times for the residents of Ontario. The economic recession has impacted the lives of individuals and businesses both small and large. Costs have continued to escalate in many areas. Unemployment is also escalating and is especially prevalent in Sault Ste Marie. Such factors as these place significant demands on our government's budget, yet the government has a responsibility to meet the needs of the people they serve.

VON in Sault Ste Marie is striving as well to meet the needs of the people we serve. In the past couple of years, health care budget has been under intensive scrutiny. We recognize costs must be decreased to save our universal health care system. In an attempt to accomplish this, the trend has been to focus care in the community sector versus the institutional sector.

The trend to community care is one that VON believes in. Our mission is to provide leadership across Canada in the development of health and social policy, the delivery of innovative community-based nursing and other health care support services, based on the principles of primary health care.

Many nursing and support services are not available in communities in Ontario. The institution of these services is mandatory to meet the needs of individuals if care in the community is to be successful. There will be initial costs for program development and training to ensure long-term success of these programs. Such is the case with specialty services in VON Sault Ste Marie. These services provide care of the terminally ill and their families, a 24-hour, on-call service as well as increased technical skills and intensive therapy programs. In the past, many of these services were only available in the hospital sector.

VON recommends the availability of a minimal number of services in all communities. We recognize that such services should depend on the specific needs of communities, and that introduction of such services be phased in. These changes will show economic advantages in the future. At present, however, they are creating a significant demand

on community nursing and related service organizations such as VON, whose staff require training and support.

With many generous donations from the people of Sault Ste Marie and from our United Way, VON in Sault Ste Marie has been able to initiate some of these much-needed services. With unemployment so high and our future shaky, to say the least, we need the support of our government to develop and continue to provide these services.

Looking ahead, it is quite evident that our population is aging. Again, in order to save our health care system, we must plan and prepare now to meet these needs.

With the thrust in patient care from hospitals to communities, there is a need to ensure a firm foundation on which to build a new system. Historically we have seen an individual program approach and not a system-wide approach. A system-wide approach, such as one that would encompass home care, social services, the placement coordination services, and other general home support services, would be more effective.

VON is a not-for-profit organization. This enhances our position as the key player to economical, community-based care. Our position also allows us to focus our attention and services on the individuals in our communities. The volunteer board of directors of our organization is representative of those we serve. Their hours of hard work and dedication and their insight into the needs of the people of Sault Ste Marie provide added value to the community.

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The board of directors assists the staff in developing cost-effective measures of operations that allow VON to reinvest in more services for our community.

Not-for-profits have also, in the last number of years, begun to recognize the need for fair employment policies. In terms of visiting nursing, VON has committed itself to parity in the community nursing field with hospital wages. This policy was taken as a direct result of the recognition that nurses working in the community have additional responsibilities. The scope of practice of community nursing is enlarging to include acute procedures, previously done only in a hospital setting, as I mentioned earlier.

On June 26, 1991, VON Ontario, which is our provincial body, was officially informed by the division of community health and support services that the VON rate increase for the fiscal year 1991-92 would be 6%. However, 12% was considered the requirement to meet VON's needs and to operate without a deficit. A shortfall in the rate adjustment and the ensuing inability to meet a fair wage settlement will have serious implications for VON.

Not-for-profits have traditionally stood for quality in service, as the focus of care is on the communities we serve. VON believes in quality as well as cost-effectiveness. The government should develop quality assurance criteria that ensures efficient services which recognize the needs of standardization of care.

One recommendation is a system-wide utilization review of community services and outcome assessments. There is a need to determine utilization patterns and rates. A basis for developing a systematic approach to services must be determined. There needs to be, as well, some basis of developing a systematic approach to services. Following

this, an appropriate formula can be developed for funding, with appropriate rates that will form the foundation for building an effective community-based system. The government should then encourage all community provider agencies to meet these standards.

VON is acutely aware of the need to control the escalation of health care costs and recognizes not only meeting community needs with quality services but meeting these needs at a reasonable cost.

During these times of transition, VON supports the funding requirements that will build a strong foundation for community services to meet the needs of Ontarians in the future. Thank you.

Mr McLean: Has your organization made any recommendations to the overall organization with regard to more services that you could provide which would keep people out of various institutions?

Mrs Blunt: One of the things VON has been addressing is looking at the needs of individuals we serve and providing the service at the level of need, and with that we have instituted the use of registered nursing assistants in the community to help keep costs down.

Mr McLean: Are you affiliated with the district health council? Is there a health council here? We have county boards of health. Is there a board of health here that buys services from you?

Mrs Blunt: The services we provide in the Sault are purchased from Algoma home care, which is part of the Ministry of Health. They would purchase the services from us and we provide the care. The rate of pay for service is established provincially in Ontario.

Mr McLean: I have been an advocate for a long time with regard to getting people out of the hospitals, the chronic care units, and into more like a home setting or in a community, whether it is a rest home or what it is, that purchase services from you people to supply the nursing care that would be provided. Have you indicated any support in that direction, whereby your organization would become involved if they moved some of those people out of those hospitals?

Mrs Blunt: We have made a tremendous number of changes in VON in the last couple of years. In the last year and a half in Sault Ste Marie we instituted the 24-hour service. We started training nurses in specialty areas, to certify them in special procedures to deal with more advanced acute procedures in the community. We received no funding assistance for this, and all the training we have done in the Sault up to this date has been done with donations from people, and some small donations from United Way as well.

Our concern is that, especially in the last six months or so, we have seen more demand from physicians to discharge patients sooner and not to admit patients if they do not need to be admitted. But the type of care these patients require is much more advanced than was ever required before. We can do it. We need to prepare our staff, to train the staff and set up appropriate programs to keep these people at home. It can be done, but we need some funds to prepare us to deal with this type of patient in the community.

Mr McLean: I appreciate your coming today. I really support what you do. Keep up the good work.

Mrs Blunt: Thank you.

Mr Sutherland: I want to echo Mr McLean's comments about it being great that you are here. I do believe we will be hearing from any other nurses throughout the hearings, so this presents a unique opportunity from your organization.

You mentioned in your presentation that you probably needed 12% to fully maintain the level of service and you were granted 6%. It seems to me you are like some of the other organizations we heard yesterday in Thunder Bay and are hearing again today, that although we have attempted to maintain the level of services, there is still a growing need out there and we are not meeting all those demands.

Mrs Blunt: That is correct.

Mr Sutherland: Given the nature with long-term care reform and the move to providing care outside an institutional setting, what do you think the result would have been if you had a 0% increase this year? What would the impact have been on the people here in the Sault Ste Marie community?

Mrs Blunt: If there was a 0% increase in the budget then I am afraid our organization would not be able to operate. We would be in such a deficit position if we received no increase that we would probably face closure, or we would have to look at specific services.

The most costly services to provide in visiting nursing are the services to the terminally ill patients in this community. Right now our nurses are making, in the city of Sault Ste Marie alone—and that does not include the district areas we service—650 to 700 visits per month to people with terminal illnesses, many of whom decide they want to stay at home rather than in hospital while they have a few months left to live. Some of them have decided they wish to die at home rather than in hospital. That service in itself is very costly because they require more nursing care at home. There is no government funding for more than a visit.

A visit covers 58.8 minutes of service in the community. We do not walk out the door at the end of 58.8 minutes. Most visits to terminally ill patients can be an hour and half or more, but we do not get funded for more than one visit. We may go more than once a day, but there is a time factor involved. It is a very costly program, but I feel it is a very needed program. In the past year and a half it has grown tremendously, but it has also allowed many people more dignity, a greater quality of life, the ability to be at home with their families, and it has provided a lot of support for family members who wish to have a loved one at home.

Mr Martin: That is a good line of questioning. I just wanted to follow up by saying that certainly the whole delivery of health services is under review at the moment in the province, and we can probably look back to the Liberal government and say that it initiated it, because the cost of delivering health services is out of sight in some instances. However, it is still going to be costly, no matter how we deliver it, and our government chose to resolve some of the most obvious outstanding issues of settling

the doctors and increasing the pay to some of the s within institutional settings. At the grass-roots level, re continuing an initiative of the Liberal government omoting district health councils and having them look e whole question of health, not just health service ery, but health, and Sault Ste Marie is doing a review. ou participating in that?

Irs Blunt: I am not directly involved in it, no.

Mr Martin: Do you see anything evolving out of that will enhance your ability to do your work?

Irs Blunt: I do not really know at this point if there e. I certainly think there is a very valid place for our ization in that review. However, we were not invited rticipate.

Mr Martin: On the review panel itself.

Irs Blunt: That is right.

Mr Martin: But hopefully, if they do not contact you, will contact them.

Irs Blunt: Yes, we have been trying to be involved. s well, I had mentioned earlier about the utilization of s. One other thing that our organization supports pro- ally is the utilization of other levels of care providers, as a health care aide; that the care should be provided e level of need of the individual. There is no legisla- that allows home care in this province to utilize that e level of care provider. That would help keep costs n, as well.

The Chair: Okay, you are out of time now. Mrs Sul-

Mrs Sullivan: I should just tell you that I have enor- s affection for the VON. Certainly in my community the ces that are provided through the VON are extraordi- , and with the last funding crisis that the VON went gh, our home care workers were providing travel in own cars at their expense just to ensure the service delivered. That means a lot.

am very impressed with the portion of your brief h speaks about the utilization review. I think that is a ularly important recommendation, particularly as we moving into more home care issues, more stitutionalization issues, and it is one that my district h council has included on the agenda for all of the home services. You may well be interested in following up Mr Martin's suggestion about working with the DHC in terms of its utilization review on a community base.

wanted to ask you if the 12% which you feel is the irement to meet your operating needs, as opposed to 5%, includes the effect of pay equity and/or the parity grams that you are introducing to ensure your staff is pensated at the same level as hospital staff.

Mrs Blunt: At this point in time, it includes parity. It s not address the issue of pay equity.

Mrs Sullivan: Parity, then, will only last for the time od until the pay equity comes in for the nurses.

Mrs Blunt: That is correct.

Mrs Sullivan: Right, so then you will be behind again.

This morning we heard from the association for the mentally retarded, which talked about the difficulty it is facing in terms of its funding levels. When people are in institutions the funding levels are, I think, at the level of \$103,000 per patient on average per year. When the patient is treated by the association, services in their homes or in a group home, the funding that is provided is \$30,000. Are you finding the same gap in the funding available from the province for treatment in and out of homes or—it would not be the same gap because you are dealing with a different kind of institutional setting usually, but are you finding that what is being paid for your services is able to meet the professional requirements, the training requirements, at the same level that they would be met for the patients if the patients were in an institution?

Mrs Blunt: It certainly is not equal. I really believe that the problems we are experiencing with lack of funds for training and for program development are based on the funding model. This is something we feel really needs to be addressed.

There is a provincial average time per visit and rate per visit that are established, yet there are many differences in all areas of the province. For example, one of the problems that we have in Sault Ste Marie is servicing the outlying areas. The standard time per visit of 58.8 minutes and the one-visit fee do not cover it. If it takes my nurse half an hour to drive to Searchmont or Goulais River and a half-hour back, we are already in the hole just from travel alone. It does not cover the hour she might spend in the home doing care. So there are inequities in the funding system.

Mrs Sullivan: My riding is the same, where there are distances that have to be covered. Do we have time for one more question?

The Chair: One more short one.

Mrs Sullivan: Okay, great. I wanted to ask you about training. Several of the other presenters today talked about the necessity of leaving the community for training for their professional people. The additional cost—for example, of training in southern Ontario on even a short-term basis—is substantially higher than for training which would be received by a southern-located organization. Do you send your nurses out for training or do you do most of your training here?

Mrs Blunt: Whenever possible, we train locally, but there have been instances where we have had to send nurses away. One example is when we had a nurse trained as an enterostomal therapist. The only location for that training was in Toronto. Our enterostomal therapist is the only certified therapist for the community of Sault Ste Marie outside of the hospital sector. It took six weeks in Toronto, so there were travel expenses plus her expenses while she was there for a month and a half. That was the only place we could get the training. Wherever possible, we train locally.

Mrs Sullivan: Is there a provision for northern training? Is there an extra fee that you get?

Mrs Blunt: No. There are no training dollars specifically allocated in our fee.

The Chair: I would like to thank you for coming before this committee to give us an insight.

The committee recessed at 1458.

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ONTARIO METIS ABORIGINAL ASSOCIATION

The Chair: The standing committee on finance and economic affairs will resume. Welcome to the standing committee on the budget hearings. Mr Daniels, will you identify yourself for Hansard, and your associate and the organization you represent.

Mr Bjornaa: I will handle that part. I am the president of the Ontario Metis Aboriginal Association, Olaf Bjornaa, and Mr Daniels is our assistant here too. He will give the presentation this afternoon.

The Chair: You have half an hour.

Mr Daniels: We will not take quite so long.

My name is Harry Daniels. I am the chief negotiator for the Ontario Metis Aboriginal Association. I must apologize because I am not the financial wizard of the place. There was a long time in getting a response from the committee and our financial consultant took a holiday. I am sitting in his place as chief negotiator and I will do the best I can.

There are some observations that I want to make first here. Everybody is getting an increase in your budget. Operating expenditures get increases, some as high as 122.7% for labour. Nowhere do I see an increase for aboriginal people. But we will deal with that maybe in the question and answer period if you wish.

On behalf of the forgotten people of this province, the Metis and those Indian people who do not live on reserve, first, I would like to thank you for giving us the opportunity to speak at this annual ritual to which our people have never had anything to say. The Ontario Metis Aboriginal Association represents approximately 200,000 of the 280,000 to 300,000 aboriginal people living in this province, or, according to government statistics, 72% of the aboriginal people of the province of Ontario.

In my opening remarks, I stated that we are the forgotten people. Our reasoning is very simple. The first nations, status people, who live on reserve fall under the jurisdiction of the federal government. If you read page 14—not 16 as indicated in the table of contents—of the Ontario budget, all three paragraphs with the title Equity for Aboriginal People refer to the first nations twice, with no mention whatsoever about the Metis or those Indians who do not live on reserves or the Inuit people. Even here we are lost between the pages. The federal government tells us that we are not its responsibility and the provincial government chooses to ignore us. Therefore, you understand why we are called the forgotten people.

In our letter of July 15, 1991, addressed to this committee, we have stated that we will speak in favour of the budget. Certainly this budget, for the first time in the history of the province, acknowledges that there are aboriginal people living here, but only the first nations, which number approximately 60,000 to 80,000 people. The 200,000 or more do not exist; the Metis are not even mentioned.

Unfortunately, our presentation does not sound like financial budget commentary, but a comedy of errors. Everybody wants to tell us where we belong or whose responsibility we are. We think it is time that we should tell that we are truly the first Canadians, committed to here for a long time, to fight for our aboriginal rights, they be they political, social, economical, educational, health, ad infinitum.

Let's go to the business of the budget. As I said before, this budget has good parts and also not-so-good parts. I would like to commend this government for stating that this budget "is taking tangible steps towards equity" for aboriginal people. This sounds like a great commitment, but the dollar figures attached to the statements are tokenism and are not directed to us; they are directed to the first nations. We are ignored once more.

The budget states that \$48 million in 1991-92 are committed to improve the quality of life "that is long overdue for the aboriginal people of this land." We have gone through a very simple mathematical exercise. As stated before, there are approximately 280,000 to 300,000 aboriginal people in Ontario. Allocating the \$48 million, means approximately \$160 to \$171.42 per annum for each aboriginal person living in this province. From the \$20 million, \$20 million is allocated to building communal infrastructures, mostly on reserves, such as water, sewer systems, housing and electrical power.

Here we want you to understand that there are still a very great number of aboriginal people living in this province who do not have decent housing, water, sewage, electricity—this in a province and country which claim to have a standard of living in the top 10 countries in the world and its citizens are ready for the 21st century.

Let's go back to the figures. From the \$160 to \$171.42 this time \$66.66 to \$71.42 will go for native communal infrastructures. This leaves us \$93.34 to \$100 for an improved quality of life.

But there is more; \$5 million is allocated to the nation communities for 400 new day care spaces on reserves. This means that an additional \$16.66 to \$17.85 are given from the original \$160, leaving us with a balance of \$50.66, a maximum of \$53.57 per individual for the groundwork: self-government, resolution of long-standing land claims, economic development, education initiatives at all levels, and, let us not forget, an improved quality of life that is long overdue, with the last \$50 per individual.

All these objectives do not even address our people, the Metis and those Indian people who do not live on reserves. This is all for first nations. It does not address the other 200,000 people, that \$48 million. It does not come close to it. There is no indication it will ever get to us. It is all earmarked for a federal responsibility, treaty and status Indians who get billions of dollars every year in infrastructure, social welfare payments, all kinds of things, and have a massive bureaucracy.

Yet when this government comes forward with a \$48 million budget, what does it do? When you break it down vis-à-vis infrastructures, day care spaces, the groundwork for self-government, the resolution of long-standing land claims, economic development, educational initiatives, none of it

arked for us, when there is a massive education budget for status Indians at the federal level, money for them to care spaces on reserves, money for them for infrastructures, but this government chooses to ignore and be inconsistent with the Constitution of Canada.

The Constitution of Canada states in section 35 that the original peoples of this country are the Indians, Inuit and Métis, yet the only federal responsibility they will accept is status Indians under the Indian Act and section 91.24 of the British North America Act and the 1939 In re Eskimo whereby the Inuit people—then known as Eskimos, and obviously—are Indians for the Indian Act.

Now this government takes its money and puts it out, but for first nations. Are we to assume that "first nations" is all aboriginal peoples in the province? I think not. Because the AFN, the Assembly of First Nations, deals with status Indians. "First nations" has become synonymous with treaty and status Indians. So the forgotten people, as we have been calling ourselves for 10 these 17 years, are forgotten again even in the Ontario budget. It is an oversight. We do not know this. Maybe there are things going to be done, but not in this budget. We will have to wait now until the 1992-93 budget to accommodate us. What do we do in the meantime is our question.

Our people do not want handouts and/or tokenism. We want to work and pay our taxes like every citizen of this province. We are taxpayers. We have no write-offs for treaty status or anything. We are taxpayers in this province, 200,000 of us. We need economic development dollars to take care of our needs.

In the last few years, the federal government, under the Indian aboriginal economic development strategy, has invested in this province, in the native business community, \$50 million to \$50 million. This very substantial investment was made by the federal government, which claims it is not responsible for us. The province, which maybe could be responsible for us, invested only approximately \$6 million in business for Métis and Indians who live off reserve. This represents only an investment of 12% to 16% compared to the federal government, but every day we hear about matching contributions. What happens to matching contributions? Are we so obtuse that we do not understand simple mathematics? If you give Mr Bjornaa \$50 million, give Harry Daniels \$50 million. Do not give him \$12 million and \$6 million. But I only got 12% of what he got.

We do not want handouts. What we require is some real, tangible support to be able to raise money for economic development. This is the assistance we need. With your support, the federal government's support, we may be able to go to the private sector and sell them, let's say, some 10- or 15-year native economic development bonds or launch a native economic development fund. This could provide all the money we need for economic development of our people and our communities.

We and our people want to work and generate private community wealth. We were the first people who lived with the first settlers to teach them how to live and do business in this country. We were the first ones to teach

you people how to do business here, nobody else, but we got lost in the shuffle somewhere.

A federal government study states that if the native communities' standard of living could be brought up to the level of Canadian communities, the gross national product would increase by 2%. If our standard of living was brought up, we could increase the projected Ontario 1991 gross domestic product by approximately \$8.5 billion—not millions, but billions. If we used those kinds of standards and those kinds of equalization payments and those kinds of moneys to bring people up in their standard of living, we could bring up the gross domestic product of this province by \$8.5 billion.

With this type of economic activity each year, we could take care of our people and our communities, and furthermore, we could contribute more to the province and federal coffers. Let us not forget that we are taxpayers.

We are also against the policy of increasing social assistance by 40%, which doubled compared to two years ago, from \$2.5 billion to \$4.9 billion, justified as necessary because of recessionary pressures. The economic future of this province and the country depends on increasing the economic development potential, not the social welfare system. Certain social programs ought to be maintained, but not social welfare. We do not want social welfare for our people; we want economic development. Transfer social welfare money. Instead of maintaining your bureaucracy that is going to spend that money on our people and to watchdog them, give us some money. We will create economic development for it. We will watchdog them and help them pay taxes and become business people in this province, or else at least have a job, because you cannot have everybody being a business person, or a business human or earthling, whatever we say nowadays.

The amount of \$2.4 billion invested in economic development could generate tens of thousands of jobs and eliminate the necessity of increasing the social assistance programs. Only \$5 million in loans made by our development corporation in the last 2.5 years—we have a development corporation; we have loaned out \$5 million—has helped establish and expand approximately 80 small native enterprises, which has taken out of the social welfare net at least 400 people. This is money provided to us by the federal government.

Using the same ratios and performance, if the \$2.4 billion increase in social programs were invested in native economic development, 38,400 new native enterprises could be developed and approximately 190,000 to 200,000 jobs could be created, therefore solving totally our people's economic problems with one decision and one stroke of the pen. Certainly it would take time, but you reinvest the money. You do not keep people on the lower end of the social strata, or at one end of the spectrum. We are not asking for that.

We are not asking for welfare. This country owes us something. Our ancestors owned this country. You people have come here as immigrants, and you are sons and daughters of immigrants and third and fourth generations, "This is my country now." Certainly it is; we will share it with you. But you have lived off our gross national product for 300

years and we cannot become part of the structure because you prefer to keep us in social programs. Granted, there are great steps being taken forward with the \$48 million and other things like this, but we are sick and tired of it.

We have been approaching people for a long time. Mr Bjornaa here and our vice-presidents have been trying unsuccessfully to get a lot of money. The memorandum of understanding you have signed may be different.

As I stated, changing the \$2.4 billion of social programs, using the formulas that the governments use, we could solve totally our whole economic development problem and take everybody off welfare and they would all be working, every last one of them, theoretically. This would be called real economic development, and the improved quality of life that is long overdue, as stated in the budget, would become reality.

Let's go back to reality. The employment equity action taken in this budget will be helpful in the long run. In the short term, training and retraining of our people is a greater priority.

The tripartite Canada-Ontario-OMAA memorandum of understanding signed on April 21, 1991, calls for the creation of a partnership to support the economic development of OMAA membership and the communities we live in. Notwithstanding that this document was signed after the budget was launched, we hope that the provisions contained in this unique agreement will overcome some of the deficiencies relating to OMAA and our people in this budget.

All we are asking is that you take some of that money and redirect it, make equalization payments and lateral transfer payments to us. Instead of supporting a bureaucracy in government, transfer some people to us, some resources, financial resources. We will take care of it. We were the business people here long before anybody else. The Metis were the interlocutors between the Indians and the white people for years because we were mixed bloods.

Go anywhere from here to the west, in any community: Who did the business in native communities until recently when all these big economic developments came for Indians? It was Metis people, the business people of this country. Who ran the fur trade? The Metis people. Sure, the control was with the Hudson's Bay Co or the North West Co, but who ran it? We have been in business for a long time, and although the door slammed shut because we are supposed to be a conquered people, all we are saying is, just open the door, let us back in. We will compete. Thank you very much.

1540

Mr Kwinter: Mr Daniels, I want to thank you for your presentation. I found it very interesting. I was particularly interested because, just by coincidence, I was reading in the paper this morning that an ex-deputy minister of mine has just been appointed to head up the Canadian Council for Native Business.

I do not know how effective that is, but give me a better idea of the structure of the Metis business community. You say you are the forgotten people. The people who are on reserves, of course, are a finite number because that is where they are. How do you operate as a community? Are you together or are you dispersed throughout the gen-

eral population? In order to be effective, to direct it right the Metis, there has to be some knowledge of the structure of the Metis business community. Can you spend a minute telling me about that?

Mr Daniels: That is a copout to say you cannot identify us. We can identify ourselves. Why do we always to answer to somebody? Name all your people? Do you ask the Jews to do that? Do you ask the Scots people to name all their people when you finance their joints? No.

I am not being angry with you. All I am saying is the principle is what we are talking about. Government has established that 72% of those people live off reserves and we represent them. Let's get the formula there, establish the principle. Who asked anybody in here or anywhere to name their numbers unless they go and do it themselves? Does anybody ask them to come with a census—there are so many Jews in Canada, many Ukrainians? They do not.

Mr Kwinter: I am not asking you for the number. You are saying: "Instead of setting up these programs for us, give us the money." I am asking, are you saying we should give the money to Harry Daniels and let him do what should be done with it?

Mr Daniels: He would drink it up.

Mr Kwinter: No, no, the point I am making is, what is the structure? When you come forward, what is the structure to deal with that?

Mr Daniels: We have the structure already. We have the ODC, the Ontario Development Corp, which handles millions of dollars every year. I am not being frivolous. I apologize if I have insulted you.

Mr Kwinter: You have not insulted me at all.

Mr Daniels: We have a structure already in place; perhaps, Olaf, you want to tell them about a few of those things.

Mr Bjornaa: We have a structure here within Ontario. It is hard to believe, to sit here and find government people who do not know that OMAA has a structure. We have been here for 20 years fighting with you, saying that. We have five zones within Ontario. We have zone 1 up in the north, we have zone 2, zone 3, zone 4 and zone 5. Our structure has a president, a vice-president, a secretary-treasurer, and they have their own board of directors who put things together.

It is like yesterday. We were in Toronto, at the committee on the Constitution, and we were asked, "How do we know what the native population is in the urban area?" I said, "When I go to Toronto, I turn the TV on." They say: "Well, here's the Jewish population. Over here is the Polish population and you could go on and on—"the Finnish area and here's the Chinese area." You identified us. You have been doing that for years. You say, "When a school bus comes in the community, there is the Indian bus, there is the white bus. You have identified us, put a label on us.

We have an inner structure. We have an ODC put together; we lend funds out. We took how many people off the welfare lines, put them into jobs and gave them something to be proud of. Once you get economic development, you get better homes, you get better education, be-

care. You name it. We have proved this, we have this. Each person we put to work, this government return on its dollar. I do not know why the government is scared to put a dollar into OMAA, into our people. The time you put a dollar there, it is not lost in the bank; it comes back many times over.

Mr McLean: What effect will the agreement that was signed here a week or so ago with the Premier and Mr. Martin have on you?

Mr Bjornaa: I think he should sign likewise with the people as well as the first nations.

Mr McLean: Why were they not included?

Mr Bjornaa: I guess they chose not to.

Mr McLean: The 400 new day cares on reserves: how long has that been there? Is that just established?

Mr Daniels: I think the budget states—I have a mind to set a steel trap—400 new day care spaces. That is in the budget. They have more. These are new; we are supposed to be taking new day care spaces, and I would assume they are new.

Mr McLean: Are your present day care spaces filled to capacity?

Mr Daniels: I would say yes. We do not have anything to do with the reserves.

Mr McLean: What type of enterprises would they be, 400 new enterprises that were established? Marinas or what?

Mr Daniels: Owning some of the hydro that is coming out of the land, being partners in it.

Mr McLean: Partners with Kakabeka Falls?

Mr Daniels: The government.

Mr McLean: That is owned, I guess, by Ontario.

Mr Daniels: All the new structures coming out—why are we not be partners in this? It is on our land. We are going to say, "Let's be partners in that." You are taking our reserves. We lived on it for centuries and centuries—

Mr McLean: But my question was about the 80 enterprises that, you indicated in your brief, have kept 400 people off welfare. I am wondering what type of businesses they would be.

Mr Bjornaa: What type of business? The logging business; people own stores. We are no different from you people. We are not just qualified to go out and trap and do a little bit of fishing and stuff. We are qualified for almost any type of business that is available. The logging business, we have people there. We have people who own stores. People have gone into the fur business, some went into the tourist business. I could go on about the many businesses they have gone into. Our people have much knowledge. Some people have gone into consultant work.

Mr McLean: The last question I have for you is about the systems within your reserves. Who supplies the equipment?

Mr Bjornaa: We have no reserves.

Mr McLean: Not for Metis, no.

Mr Martin: I just wanted to say how much I appreciate your appearing here today and challenging us in the way that you have. I would hope and I am sure you will continue to do so.

I attended your assembly here in these hallowed halls a short while ago and was very impressed by some of the activity and the discussion that was going on around a myriad of issues. I was actually very moved to read the stories of some of the people who have risen to great heights in our communities and served in very professional ways, and who do well both in business and as part of the government structure in some instances.

I would certainly want to encourage our government to participate in whatever way it could to ensure that continues to happen.

I also read a letter that you wrote to the Sault Star not so long ago talking about the relationship you have developed with Mr Wildman and the Ministry of Natural Resources and this government, which speaks to some hope and development. Would you care to elaborate further on that?

Mr Bjornaa: I have stated very many times, because I met with different ministers, that I felt this new government that has come in—with the Metis people there has been a recession. The Sault and Canada right now are in a recession, they say. I felt that right here in Ontario with this new government and with the right kind of support, maybe the Metis people are coming out of the recession. Maybe we are going to see a light at the end of the tunnel and some real good will come out of this.

As we said before, the federal government has given us something, but the Ontario government has left us out in the cold. All we are asking is that the Ontario government recognize us as business people, as workers, as taxpayers, give us an equal chance, give us the right funds to work with.

The Chair: I would like to thank you for appearing before the committee.

Mr Daniels: I just wanted to say one thing: Metaphorically speaking, I hope the light at the end of the tunnel is not a train.

1550

SAULT STE MARIE AND DISTRICT LABOUR COUNCIL

The Chair: We have 10 minutes on the schedule for the Sault Ste Marie and District Labour Council, so you can just make a brief runthrough of your presentation or a question and answer period. That is all the time we have left. Please identify yourself for Hansard.

Mrs Graham: My name is Sharon Graham. I am the president of the Sault Ste Marie and District Labour Council. You all have a written presentation in front of you. Since time is of the essence, I will just skirt over a few of the items we covered in here.

We talked about the all-party committee. We are glad you are here and we hope this is more than lipservice. We hope the agenda is not already etched in stone—the final results—as we felt it has been on some past committee sittings under previous governments.

We know there is an uproar going on about this budget. We would like to see everybody set their differences aside and let's get on with it. If people at the end of your term are not satisfied, they know where to put their X on the ballot. They should give this an opportunity to go through.

September 6 will be the first-year anniversary of the New Democrats, and part of what this brief deals with is the fact that it is not going to be a successful checkpoint, because there has been such a concerted effort by big business to put down and criticize this particular budget. The reason we believe they are doing this is because of the pending elections in British Columbia and Saskatchewan, and the federal one coming down the road. What would happen if this budget were successful? How could they deal with that?

We did not deal a lot with the figures in this particular brief because we know you have been inundated with figures, and you will be until the end of your hearings. We wanted to talk about what we saw as the root of some of the problems and concerns in areas that you are going to have to work with, in the ambitious agenda of the provincial budget.

We address the federal cutback of transfer payments, the free trade agreement and the GST, how they have been selling it to us and how it is impacting on us on a local basis. We were glad you did not go into capping the salaries of the public sector workers. On the federal agenda, they are doing that with the Public Service Alliance of Canada and we are very concerned about what direction that is going to go in and the kind of message that signals to Canadians as a whole.

We are concerned about the upcoming postal strike. We hope the provincial government will not be promoting the use of the mail services during that time. We know you are between a rock and a hard place. We know you do not entertain the interest of labour exclusively and you have to be all things to all people in the province, but Canada Post spent \$190 million during the last struggle, and we do not want to be a part of helping them to get the union out or part of other problems that are going to happen.

One of the major things we are really concerned about in the downturn in our economy and the things that are happening is the fact that people are so desperate. In the last recession there were jobs, there were places to go to. This time around there is not. If there is no job, there is nothing else to go to.

One of the things we were looking at on a national level was a national day of protest. We were all going to travel to Toronto or Ottawa, but we decided against it because the reality is we would be pitting worker against worker. There is so little for people to go to. We were concerned that if someone took a day off to go to this protest, people would be lining up to take their jobs for a day. So we have decided, if we are going to do anything, it will be done on a local basis.

We talked about the inflated interest rates and the impact they are having. One of the things you will read here is about a local fellow who is involved in part of the Canadian Steel Trades Employment Congress training program that the steelworkers have going on here in conjunction

with Sault College. He was trying to prepare for the downturn in his own family economy by refinancing his mortgage payment to make it lower. He went to the bank, he was told, "Let's wait till you miss your first payment then we'll deal with it," which just makes it clear to us the banks, when it is sunny and shining, give you an umbrella, and when it is raining they take it away.

We are really concerned about some of the attitudes that are happening. We realize you cannot do anything about your budget about that, but we feel it is impacting on acceptance and the implementation of your budget.

We are concerned, back again about the GST, about millions of dollars that were spent to sell this issue to the public. Then it was lowered to 7% from 9%. We are concerned that as soon as there is another election and if he manages to squeak through, how much will that GST be and how much more will that impact on our budgets?

We are concerned about deregulation of our transportation system, which has caused a lot of problems all across this nation. One that is a real issue to us right now is going into Toronto and having us land in Hamilton. In order to do that, we know there has to be some kind of improved transportation system on ground travel between those two centres.

We are concerned about the provincial funding, if part of the budget is going to be on those roads or that improved system, and hope they will get those moneys from the federal government. They have taken everything else away from us. We should hope that if it is being changed because of their initiative, they should be responsible for it.

We know the auto insurance is going to be a major concern. There are 46 labour councils in the province. Ours is only one of them and we have received no more than seven calls from one public relations firm asking us if we want an expert speaker on auto insurance from the Insurance Bureau of Canada. There are a lot of dollars being spent on that and I can see that you are going to have to spend a lot of dollars of your budget to try to implement whatever program we come up with.

We are concerned municipally about what has happened with the UI bill and the increase in our local payments to the welfare system. With this introduction of federal policy, you have to work longer to collect less for a shorter period of time. That is really impacting on Ontario.

We are glad that the Conference Board of Canada has seen some pluses in your budget. May others soon see their wisdom too. The same naysayers who screamed that we were off track about free trade are now criticizing the budget. I believe some of them are suffering from free trade and I cannot believe they are not trying to give the chance. They know we all talked against free trade and went through and they are having problems. If they just let this go on, it might be interesting.

I was sorry to see that Mr Harris is not here today. I wanted to encourage him to get on the track of serving his constituents rather than his federal counterpart's agency. I also wanted to ask him how I got on his mailing list. If anybody can answer that for me.

In closing, I would just like to reiterate that the standing committee on finance and economic affairs certainly has a frustrating and, I am sure, enlightening task ahead of

has probably never been any provincial budget such careful scrutiny from so many different interests and the media. It is truly a trailblazing budget. A member of our local media challenged us, through his commentaries, saying that the labour movement and the New Democrats are not supporting this budget and fighting back against big business for all its sins. He said that if we did not take a stand, the reality would be that the New Democrats would be a one-time mention on the map of Ontario. I would just like to say that labour is here to rise to the occasion and to publicly support the budget as a whole. Some of labour are not satisfied with it entirely, but it is a

heck of a lot better than what we have ever been presented before. We wish you continued success on the implementation of this and will be of assistance in any way we can.

The Chair: Does the committee want to ask one question each? The time has expired for the presentation. It is up to the committee. I am just the Chairman here.

Mrs Sullivan: We have to get to the airport now.

The Chair: Okay. Thank you for your presentation before the committee. It is too bad other things came up and that you were not able to be here on time. This committee is dismissed.

The committee adjourned at 1600.

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Finance and economic affairs

1991-92 budget

Assemblée législative
de l'Ontario

Première session, 35^e législature

Journal
des débats
(Hansard)

Le mercredi 14 août 1991

Comité permanent des affaires
économiques et financières

Budget de 1991 à 1992



Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 14 August 1991

The committee met at 0900 in the Senator Hotel, Sudbury.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: Good morning. The standing committee on finance and economic affairs will continue its budgetary hearings here in Sudbury.

SUDBURY AND DISTRICT LABOUR COUNCIL

The Chair: We would like to call on the first witnesses, from the Sudbury labour council. Would you please come forward? Please identify yourself for Hansard. Welcome to the standing committee on finance and economic affairs. You will have one half-hour. Out of that half-hour, try to use some time at the end for questions of the three parties. The time left will be allocated in equal amounts.

Mr Tooley: Good morning. I am Barry Tooley, president of the Sudbury and District Labour Council. A warm welcome to Sudbury. I am glad to see that this government is making a real effort to reach out to the people of Ontario by holding public hearings across the province on the budget. The members appreciate your efforts.

I represent the Sudbury and District Labour Council, with a membership in excess of 15,000. This labour council is proud to be here today supporting the budget put forth by the Honourable Treasurer Floyd Laughren, a budget that really invests in creating jobs for the people in Ontario. We support the budget, where \$700 million will be used to provide direct employment to thousands of Ontario workers. The budget provides \$175 million, which is retroactive to October 1, 1990, which will ensure workers will not be forgotten when companies declare they are bankrupt and workers have not been paid wages owed to them. This budget provides \$3.2 million to help workers re-enter the market and improve their skills.

We in labour see this budget as no different than any business venture or a person who takes a mortgage on a house. It is considered an investment in the future. This budget will stimulate the economy by creating approximately 70,000 jobs. The 1991 budget will provide a system of tax fairness by ensuring that those at the upper end of the income scale pay a greater share. The recently established Fair Tax Commission will be reviewing and suggesting a fair and equitable tax system for the province.

We in northern Ontario are pleased with the initiatives in this budget to provide improvements to the northern Ontario travel grants. Northern residents will no longer have to face undue hardships when they are forced to travel to southern Ontario for medical treatment. This budget recognizes the higher gasoline prices in northern Ontario. Residents of northern Ontario will be exempt from paying the motor vehicle registration fee.

Many northern communities, especially single-industry towns, are suffering from long-term structural changes and the highest unemployment in the province. This government took office in the midst of the most severe recession experienced in the past 50 years and, unlike other recessions, this one is more serious because its effects are expected to last longer and our economic base is changing; 65% of major layoffs were due to permanent plant closures compared to 24% in 1982, while bankruptcies have increased by 73% compared to 24% in the last recession. In communities across the province, this recession is causing tremendous hardship for people and their families. We only have to glance at the increase in those needing social assistance to know that Ontario, its businesses and people have been hardest hit by this current downturn.

This budget not only picks up the slack in federal funding commitments for health, education and social assistance, but it also creates or maintains 70,000 jobs. We have maintained vital public sector services, especially health care and education, while building sustainable prosperity for jobs for the future. This budget is fighting this recession through undertaking the most aggressive anti-recession effort in all of Canada through increasing overall spending by 13.4%, the \$700-million anti-recession program where, when combined with the contributions of local government and agencies, total spending will exceed \$900 million.

This budget is helping to maintain health care and education in the province. The budget responded to the need for action in such areas as worker protection, pay equity, social assistance reform, affordable housing and the environment. This budget is putting spending power in the hands of Ontarians. By not imposing the provincial sales tax on the GST we are leaving \$470 million in the pockets of consumers in 1991 and enriching the Ontario tax reduction for low-income earners. In recognition of the difficulties confronting northern Ontario people, its 30%, or \$211 million of that anti-recession program, has already been allocated to help fund projects in communities across the north.

Some of the initiatives introduced in this budget include:

A \$215-million social assistance reform package on a full year that is designed to provide benefits for those who are in greatest need, to help people get into the labour force, to increase fairness and accessibility and to provide further relief to overburdened municipalities; the largest enrichment in the history of the Ontario tax reduction program. This \$50-million enrichment means the number of low-income earners whose Ontario income tax will be eliminated or reduced will increase to 700,000 for the 1991 tax year.

Other tax moves include an increase to the personal income surtax rate from 10% to 14% on Ontario income tax in excess of \$10,000; an increase in the capital tax on banks and loan and trust companies from 0.8% to 1%; and

eliminating the tax exemption for insurance companies on certain auto insurance premiums.

An additional \$12 million for new shelter beds and enhanced services for women who are victims of domestic violence, and an increase of more than \$8 million to expand and enhance services for women and children who are victims of sexual assault; \$125 million will be made available to our transfer agencies, to major ones such as municipalities, school boards, hospitals, universities and colleges and to other agencies, to assist them with the cost of pay equity; \$24 million in 1991-92 for employment equity initiatives in the Ontario public service.

An unprecedented level of provincially supported housing activity for the development of another 10,000 non-profit housing units, which will cost the province approximately \$150 million in annual operating subsidies when completed; Ontario Hydro's commitment of \$232 million for conservation efforts in 1991-92; a three-year \$10-million program to assess abandoned mine hazards and take remedial work; \$152 million for increased investment in the development of new technologies; a manufacturing recovery program worth \$57 million for financial assistance to small- and medium-sized manufacturing firms; \$100 million in programs to assist farmers with interest rates and a gross revenue insurance program; and \$24 million in 1991-92 for employment equity initiatives within the Ontario public service.

In summation, this budget has taken the humane approach in the face of severe criticism from the business community and of course our federal government, which has literally given Canada away with its policies. I thank you for this opportunity to appear before this committee with our views on the budget and I would be happy to answer any questions.

0910

Mr Kwinter: Thank you very much for making your presentation, Mr Tooley. I would have been a little happier if it had been really your presentation. All you have really done is to read the government news release on the budget. If you take a look at page 3 on your comments, you did not even go to the trouble of changing the adjective where it says, "We have maintained vital public sector services." This is verbatim the government's press release on the budget.

I would like to ask you one question. Again this is right out of the press release of the government and you are reading it. It says: "This budget recognizes the higher gasoline prices in northern Ontario. Residents of northern Ontario will be exempt from paying a motor vehicle registration fee." I am sure you realize they have reduced the registration fee but increased the price of gasoline, so on net there is no saving to northern Ontario residents at all. As a matter of fact, it is going to cost them considerably more money. Do you have any feelings about that?

Mr Tooley: We are aware that the gas prices are continually on the increase. However, any benefit that northern Ontarians derive from the initiatives we would most certainly support, because we have always had higher gasoline prices in northern Ontario.

Mr Kwinter: And you would support higher gasoline prices in northern Ontario?

Mr Tooley: No, I certainly do not support higher gasoline prices in northern Ontario.

Mr Kwinter: What are you saying?

Mr Tooley: I say I am supporting the initiative the government has taken—

Mr Kwinter: To increase gasoline prices in northern Ontario.

Mr Tooley: —eliminating the registration fee in northern Ontario people.

Mr Kwinter: But as I say, there is no saving. They are taking it out of one hand and they are saying, "We're going to reduce that but we're also going to increase it." The net effect to northern Ontarians is that they are paying more money for gasoline and more money to drive.

Mr Tooley: I am not sure there is that much of a disparity between northern Ontario gas prices and southern Ontario's. There is some disparity, but I have travelled in southern Ontario and have paid very, very close to the same prices we paid in northern Ontario.

Mr Kwinter: I think you should talk to your friends because, for the six years I have been in the Legislature, the members from northern Ontario have been standing up and complaining about the price disparity on a regular basis. They are saying, "Why does it cost more money to buy gasoline in the north than it does in the south when you can buy beer or liquor in the north at the same price as in the south?" It is a standard argument I have been hearing for six years.

Mr Tooley: We most certainly agree that the gasoline prices are too high.

Mr Kwinter: You just said they were not too high.

Mr Tooley: I am saying in general, right across Ontario and across Canada. When you look at the exodus of people going across the borders to purchase gasoline that invariably comes from Canada at a lower price on the other side of the border, there is something wrong with our system.

Mr Phillips: On jobs, I am always mildly surprised that labour councils are not kind of railing at the budget in terms of the unemployment rate for the future because, you know, the budget plans for the next three years for the unemployment rate to stay around 9% to 10%. You say it creates 70,000 new jobs. In fact, if you get into the budget, it does not create any new permanent jobs. Your statement on creating new jobs is wrong. It maintains jobs. It does not create any new jobs.

My question to the labour council really is, are you going to be satisfied with an unemployment rate in this province of that 9% to 10% over the next three years? This budget predicts? If not, I am surprised the labour council is not far more aggressive in terms of creating jobs. The reason I raise this is, as you know, a year ago, Ontario's unemployment rate was the lowest in the country. It is now it is the fifth lowest in the country so we are heading in the wrong direction. I would like the labour council's comments on our job creation programs in this budget over the next three years.

Mr Tooley: Certainly we would like to see an unemployment rate of zero. If we look at the policies that have been in place right across Canada, I think we are looking at a 10.5% unemployment rate. In Ontario this government has taken initiatives in maintaining those 70,000 jobs, and in the initiatives in the non-profit housing, there are going to be jobs created in the construction industry. Of course, when we are in a recession I think it would be unrealistic to look at a zero unemployment rate. Most certainly, with the initiatives put forward by this budget and the government, we would have no problem supporting the budget.

Mr Phillips: You know that the unemployment rate will be 10% next year in the middle of an economic recovery and you are still satisfied with that?

Mr Tooley: I am certainly not satisfied with that and I dispute your figure of 10.5% next year.

Mr Phillips: It is not mine; it is the budget's.

Mr Tooley: The economic predictions that are coming out now certainly indicate that we would be going into a recovery and of course there would be some jobs created.

Mr Phillips: No, those are not mine; they are from the budget. Page 43 in the budget says we will have real economic growth next year of 3.4% and the unemployment rate in the province will be 9.7%. I am just shocked the labour council is not saying "that is unacceptable."

Mr Tooley: Of course it is unacceptable, and it is unacceptable to the labour council when we see the exodus of manufacturing jobs and the exodus of businesses south of the border. There have been no initiatives by prior governments to take any steps to alleviate the exodus of businesses out of the province.

Mr Phillips: Does it strike you as ironic that this budget, when the full impact is felt, still sees unemployment at 9.7% next year?

Mr Tooley: I suppose those are predictions and I think they could change.

Mr Jamison: We are talking about the budget in general and that is what I would like to zero in on: the effects of the budget to really help at this point in time the needs of the north and, in particular, northeastern Ontario. The funds from the anti-recession package for northeastern Ontario amount to about \$131 million. That accounts for about 19% of the anti-recession program. In Sudbury alone I guess the amounts are about \$18 million; and if you look out the window you see people, construction workers, working.

The question I have for you, because you are a citizen of Sudbury, is, what do you feel would have been the effect if no funding had come through, if in fact cutbacks had taken place? There are two opposing views here and we have to realize that. What do you feel the effect on Sudbury during this severe recessionary period would have been if, in fact, the Mulroney theme had been followed by the Ontario government?

Mr Tooley: Most naturally, I feel it would be devastating, not only to Sudbury, but to all of northern Ontario, and the initiatives not been taken to inject funding for job creation. We have seen the increases in bankruptcies, in

personal businesses and personal bankruptcies and it is something that is devastating to any community.

Sudbury is one of the more fortunate communities, of course, with the price of nickel remaining relatively stable—and those markets have been good in general to Sudbury—but the small businesses are still going under, because people in recessionary times are just not spending dollars, so there has to be something to create a feeling of wellbeing in a community in order to get people spending more.

Mr Christopherson: I would like to thank you very much for your presentation. I appreciate it. I would like to get specific about local matters.

When we were in the Sault we had a chance to meet with some of the officials from the economic development corporation there and some of the work that they are looking at. Sudbury came up in the discussions as an example of what a community can do when there is co-operation between labour, government, business and the general community.

Apparently, your project, initiated sometime in the late 1970s or early 1980s—I believe it is called Project 2001, though I stand to be corrected—and I would be interested to hear from you, from labour's point of view, how you approached those discussions. How was it that you held comfortable meetings with what are not normally traditional partners, and how did you go about bringing this whole community to focus on this one endeavour, and then have everybody behind it and quite frankly, to have succeeded so well?

I drove through here not too long ago and I heard the radio, as a public service, announcing with pride what had been done here in Sudbury and thanking those who were involved a few years ago and saying, "Thanks to that, we have a diversified economy," and talking about why you have what you have. From your point of view, I would like to know just a little bit of the history of how you became involved in that. How did you make it work?

Mr Tooley: I think it was a realization not only from labour's side, but the business community's side, that we were in difficult economic times, and that if we were going to succeed, in order to be able to create anything within this community, we had to get rid of the adversarial position that labour usually finds itself in. It was co-operation from many sides that allowed some of this economic recovery to take place so successfully in Sudbury.

Mr Christopherson: They diversified the economy too. Could you give me an idea of how you went about that? What were some of the things that you looked at?

Mr Tooley: Some of the things were secondary manufacturing jobs that were relative to the mining industry and, in some cases, exporting. I guess Burgess Powertrain would be an example where they manufactured certain parts for the US army, and those areas. Just in general, there was co-operation from many, many different sectors in order to come up with different ideas to create different jobs.

Mr McLean: I would certainly like to have obtained the views of the Sudbury labour council this morning and your personal view, sir, rather than the speech you wrote that we have already heard about three times. It is unfortunate that

the council has not drafted its own submission, in my opinion, and so I really have no further questions to ask.

Mr B. Murdoch: I pass.

The Chair: You have none? Does the opposition have another question? We have 10 minutes left.

Mr Sutherland: Mr Chair, can I ask—

Mr McLean: Mr Chair, I thought the time was split up and if each party wanted to use it, then it was their choice.

Mr Sutherland: Sorry, Mr Chair, if you have objections, fine, then we move on to the next one; but if you have no objections, what time is left can be divided between the other parties if you do not want to use your time.

The Chair: We can have a recess for 10 minutes. Thank you for coming, Mr Tooley.

The committee recessed at 0922.

0930

JAMES N. GRASSBY

The Chair: We will call the next group forward, the Sudbury Social Agency Network. Would the people involved in this group please come forward? Dr James N. Grassby is the name I have got down here. Is the gentleman present?

Dr Grassby: Oh, he is.

The Chair: Come forward, sir.

Dr Grassby: I do not know whether or not he is a gentleman.

The Chair: You will have half an hour and after your presentation the time will be divided among the three parties. I understand now that if any party gives up its time it is not going to be divided among the other parties. Is it agreed that the same applies to the other two? Okay, fine.

Dr Grassby: Did I hear you correctly, Mr Chair; did you say I had 30 minutes and 10 minutes of questions, or 20 minutes and 10—

The Chair: No, you have 30 minutes total. After your presentation, the remaining time, up to that 30 minutes, will be divided among the three parties equally.

Dr Grassby: Thank you very much for inviting me. I am not sure whether I came under false pretences. Normally I do, but today I tried not to. I am a worker on the street. I am a retired senior executive from a large multinational company in New York City where I learned my street work. My current activities are running the United Way—behind the scenes, of course—and the action centre for youth on the street, and consulting at the university and teaching. So I have a diverse kind of representation, having run the cancer society and many other social agencies.

I do represent the group, although my presentation today is not exactly what you might expect. I have made presentations like this before royal commissions and others, and usually I forget my notes and I have to speak extemporaneously. Today I have not done that. I have forgotten my glasses and I cannot see what I am presenting. I am hoping it will have rather more clarity for you than it does for me.

My first thought was to try to convince this group that very often new governments, dedicated to reform and

change, tend to reform and change the status quo rather than doing what is called—there is a term in industry for when you go back and you call it zero budgeting. You look at the basics of the economy and say, “What the hell would you want to do if you started from scratch?” It is so easy to get caught up in the day-to-day rat race of running a government, or endeavouring to—it is very difficult—instead of saying: “How did the economy get this way? How did it get this way, were the forces positive or negative that shaped it?”

I would rather that you try to not look too much at the notes for the moment, but to put your thinking cap on and try to do some visualization of what I am talking about.

What percentage of people were on the farm 150 years ago? It was 65%. What percentage of the people were in manufacturing: railroads, railroad ties, railroad tracks and things of that nature? It is only 20%, 25%. What fraction of the people were dilettantes or conspicuous consumers per Thorstein Veblen? A very small number. And how many people ran the economy in the States or Canada or Britain or Germany or France? A small group, a group no different in size perhaps, in absolute terms, than the group today.

I think it is vital that we understand how the economy has got to where it is and how the rates of change confront some of the people who are subjected to the results of the rates of change and some of the people who are putting the rates of change into effect.

We all know that most of the western democracies, with the exception of the Churchillian phrase of their being the worst governed of all types except this one, have not served their citizens as well as they could have been served had they taken a very cold-blooded—not necessarily cold-hearted—look at what we were planning to do.

If I were to form a government today, would I sit down and say, on zero-based budgeting: “I shall have 10% unemployed. I shall have 6% homeless. I shall have 22% of the children starving. I shall have a third of the people without medical care.” Of course I would not do that. I would say: “What is the wealth-producing potential of the socioeconomic mechanism? How will I maximize wealth production? How will I guarantee that everybody has a subsistence level with respect to the human term: living, not as a mere existence, but living as a human being?” I would go on from there, and when I had built a model—and I was at one time the world’s leading expert in the application of advanced technology to the mining industry, so I know all about models, male, female, mathematical—I would compare my model with the reality of today and I would see what the magnitude of change would be that was needed to move from where we are to where we should be. I think it would be very dangerous if I did not build those models and I simply took my government, as it were, and said, “We will have to tinker with it and we will have to tinker with that,” because we might not end up with the end product we want.

So I would like to look at the structural changes that have occurred over the last century and a half. I know that everybody here is probably more expert than I in certain fields of what we are going to discuss. I think I have done a fairly good job of generalizing my approach to western

omies, having been privy to correspondence between Maynard Keynes and Kenneth Galbraith and others in the early 1930s because my father was a learned expert of what makes economies tick and stick.

Why is it that there is a natural trend in most economies, from the days of Alexander the Great to the days of John Mulroney and Ronald Reagan, for wealth to be easily transferred from the poor to the rich? Why is it so difficult to transfer wealth from the rich to the poor? The answer, of course, is extremely simple to define.

You all know the story of the tragedy of the commons, 10 shepherds who each had 100 sheep on a common and that fed 1,000 sheep very well indeed. One SOB—this is a mining term for a chap who works on the 13th—decided he would increase his income by 10% by buying one sheep. And he did. He now had 11 sheep, and said to himself—a very clever, machiavellian, legalistic, bombastic individual—“Nobody even noticed this because it is only a 1% loss to each of the others.” Of course, the commons collapsed because it could not stand overgrazing.

Take that analogy and look at what happens when we transfer wealth from the rich to the poor. Here are the three poorest people in the country and here are the 97 not-so-rich people. We wish to give a few dollars to each of these poorest people from the capacious pockets of these people and we can take \$70,000 from each of them. It may represent 1% of their income. When we disperse it over these people, it becomes such a small amount these poor people hardly notice it. So the pressure to get this few dollars is less than the pressure to resist its transfer.

However, think of the reverse. If we wish to give these well-connected individuals a few bucks, we only have to take a few pennies from the poor and they do not notice it. We do that each year, a few pennies, at the end of 10 years there is a significant shift. It is inevitable that this will happen. The reason for that of course is a very simple power structure syndrome.

Behold the moose. The moose decides that there is a good way to transfer the best genes of the moose, and that is to have the widest antlers and the strongest head. So the moose goes about butting other moose in a very noisy and sometimes colourful display and guarantees that that particular life form will get the best genes.

We are no different from the moose, except for one thing: we have much more capacity; more than a hard head and more than wide antlers. We have the ability to seduce, to flatter, to lie, to connive, to be slippery, slimy, slithery, oily individuals, much more substantially than the moose. So the genes that are transferred are not necessarily the best genes. They might be the best power-seeking genes.

There will always be a power structure. From the emperors to the popes to the kings to the presidents to the bankers to the industrial tycoons to the military/industrial complex, there will always be a power structure, and to change about it is to be impractical. What you have to do is figure out how to counter it. If you are the victim of a power structure in the school system or in the church or in

some place, what you have to do is to get your fellow victims together and seek out a common cause.

This is a most difficult thing to do. A common cause among the people in this room, some of whom are tall and some of whom are short, and some of whom are fat and some of whom are thin, and some of whom are black and some of whom are red and some of whom are white, is awfully difficult to isolate because there are so many different components of each of our approaches to society, economics and all these things.

Unless you can find common cause—and friend Barry here knows all about that; he is in the labour union. I worked in the days in the mines when labour unions were exceptional by virtue of their absence. People had to come together with a common cause. I formed co-operative credit societies, five of them, credit unions, because the banks did not trust the workers. We had to find a common cause, our inability to be capitalized.

So wherever you can get people to find a common cause which avoids the differences that separate them in other aspects of their lives, then it is possible to introduce change.

What is this economy we are discussing? I think there are three economies. There is the subsistence economy, and you know what that is. It is food, clothing, shelter, education, the arts, transportation, housing. Without that, society cannot function. Then there is the discretionary economy, which over time has become larger than it was in days gone by, the second radio set, the second TV, the second Skidoo, the second this, the second that. Then there is the frivolous economy, and I do not use that term in a pejorative sense, but only in an economic sense. Items that are part of the frivolous economy contribute nothing really to human experience or to the wellbeing of society, and they include the hula hoops, vaginal deodorants, cigarettes, cigars and Rolls-Royces, which consume much gas per mile.

These three kinds of economies have something to say about the stability of the totality of the economy. If we have a very large proportion of our workers producing things that have no utility, when a downturn comes or a problem comes, you can turn off that part of the economy, so what happens is that you have what is called the normal business cycle. It is no more normal than the shape of my head. It is forced on us because we distort the realities of the subsistence economy. So wise people have said, “If we’re going to have an unstable economy, then let’s put some props under it so it doesn’t shake.”

Turn, if you would, to diagram 1, called page 1. Here we show the 19th-century typical economy: a huge item for farming, fishing, forest operations and mining; a smaller section for heavy industry, transportation and manufacturing; and less so for services, professions, others and dilettantes. Then the little tiny group at the top controlling, that is the power group and the wealth-seeking group.

Turn the page over and you will find the same thing 150 years later, and my God, what a difference. The farming, fishing, forest operations and mining are now a small part of the total economy and the heavy industry, transportation, high tech and manufacturing not too different in size from days gone by, but the services, professions, administrators,

white-collar and others—and, may I say it, governments—occupy a huge section.

I say that picture has a visual instability compared to the other one. It is more easily pushed over, and you know damned well it is, because from 1850 till now we have had a series of recessions and depressions that indicate that there are inherent instabilities.

You see, when you look at the first stage, one of the elements in stability is that everybody is needed as a worker to keep it going, because there is so little surplus.

Let's take the goods-producing section out of our economy, page 3. The subsistence part was very large. The discretionary, the semi-luxury goods, the grand piano and a few other things, were fairly modest. Frivolous, conspicuous consumption again, as per Veblen, was not terribly large, and the theft of course was about what it is now: the Dutch tulip scandal; the Teapot Dome scandal; the Whitney scandal in the stock market, 1929; the Samuel Insull holding companies; the Boesky \$500-million-a-year ripoff in Wall Street of a few years ago. The theft section is always with us.

Turn the page again. Now we have the goods-producing section of our modern economy, and the subsistence section is not too different in terms of the things that produce it, the discretionary is quite large, but the frivolous is huge.

I went to a store the other day. My wife fell and broke her leg. I needed a piece of tape to tie it up, and I went to the drugstore and looked for a piece of adhesive tape and there were 17 different kinds. I need a new car. My car is 11 years old, and I go to the manufacturers and there are 450 kinds. That is an element of complexity and overuse of materials and energies and resources that is frighteningly expensive. We have been so conned by the advertising and the song and dance about how good it is to have three Skidoos that we have an element of instability in the goods-producing economy which is frightening. I call it low utility, medium utility and high utility.

Now we go to page 5 and we say, "What the hell have we done over the years to try to modify the effects of the increasing instability caused by this complexity and this misuse of resources for frivolous goods?" I have got some props there; see the props on page 5? They are called medicare, family allowances, welfare, pensions, unemployment insurance, which is spelled wrong. We struggle. Some political parties struggle quite hard to put into place props to prevent people from dropping through the cracks in the system, or the cracks becoming too wide.

That is very interesting. It leads you to asking the question, "I wonder whether it might not be a good idea to put all those God-damned props into one pot and make one big prop as an integral part of the total system," and if it were not for that, maybe we would use it, because it is a dirty word.

Now, when man was good on this earth, by some peculiar circumstance, because he has not been very good to the earth, there certainly must have been inherent in his system two powerful instinctive forces, one for competition and one for co-operation. The competition was actually essential, absolutely essential, because you had to compete with volcanoes and blizzards and storms and lions and sabre-toothed tigers and all kinds of things, so you had to compete against the elements to survive. Co-operation was

an instinctive thing that said, "Unless we do it together, we won't be able to do it." There is no way that one little can fight a sabre-toothed tiger. This is kind of a dig operation, so they have to co-operate and dig a pit to catch him.

0950

We seem to have in our economy perverted the competition element. We compete only with each other now, by doing so we are brutal, absolutely brutal. We use the word "competition" to mean something which it is not at all. We are going to become more competitive: we are going to reduce everybody's wages; we are going to reduce the standard of living; and we are going to stop giving medicare because it is too expensive.

Let me tell you something about medicare. The United States spends 37% more money on medicare than we do, their administration costs are three times as high; there are 37 million people without any service, and we say our system is too expensive. Somebody is crazy.

We have to increase and induce more pressure toward co-operative activity. When we have done that—the labour unions, the credit unions, the co-operative housing, consumer co-ops—it has worked. It has worked very well indeed. I know this from experience.

Speaking of experience, you might wonder why I have the nerve to come and present myself to this august group. Well, I want to tell you something about wisdom, experience and education. I am well into my eighth decade. I have been around. I have been a leading expert in technology, engineering in a wide variety of fields. I know my stuff. When I used to 10 years ago when I retired—I am out of date now.

Wisdom comes from good judgement, and good judgement comes from experience, and experience comes from bad judgement, and wisdom can only be transmitted to learners through education; therefore education is, in part, the ability to transmit wisdom, based on experience, without the trauma of the results of bad experience. It is complicated.

What I am trying to do today is stimulate a little thought about looking at some of the basic components of economies and how they change, how the potential production of wealth and goods is maintained, whether or not the people who shift paper on Wall Street really make a contribution.

I worked on Wall Street for seven years, and I would go down to work early because I was a bachelor at the time, a pseudo, and watched the 110,000 people go into the World Trade Centre, then at 5 o'clock, I would rush down to see what came out. Any nickel, any copper, any wheat, any ore, any cars? Not a damned thing, and I said to myself, "There is something odd about a system that can supply 150,000 people at huge wages, when the miner and the farmer and the garbage man, who are very important, do not get that kind of wages." It puzzled me.

In this community I am on the cancer society; member of the on-wheels; the United Way; Laurentian University development; built the University of Sudbury; sat on the board for 30 years—I am still there; I have been 10 years with the United Way. I know this community. But I have also been

world conferences on bi-regional development and futures. I know something about the global structure. In order to act as a government in the budgetary and economic field locally, you have got to know something about the globe. You have got to know something about the pressures that will fight you and will co-optate with you. That is tough, because governments do always have friends in every single element of society. There is an inherent thing in governments which I wish to bring out, and it is called the corruption of longevity, this is the most insidious form of corruption there is. In 40 years in this province, we had a bland party that ran things, and they were not consciously corrupt. They were corrupt by virtue of the fact that when you are in power too long, anything goes, and it seems all right because it worked last time. We have found that in Ottawa, the party whose name shall not be mentioned, and in Ontario, and very often you find that there is an inherent corruption in longevity, so we need change.

Now a government comes into being and wishes to change things, and the previous administration changed the welfare system through the Transitions report, the Emerson report, and it is a very beautiful report. I have done some work with moneys from the Laidlaw Corp to do this thing and to implement it. It does not matter what party, you see. It does not matter whether it is this party or that party, if you do an objective analysis of the realities of the economic situation, there will always come forward an economic truth, which is not necessarily a myth.

Adam Smith had two great expressions, only one of which is remembered. Adam Smith, the great Scottish economist, said that society is best served by the multitude of decisions made by people seeking their own ends, and he said, "However, when businessmen of the same ilk come together, whether for pleasure or business, the consumer always suffers." So there are these two counterforces.

I hate labels. I do not want you to ask me what party I am from, what church I go to, what colour my skin is, or anything like that because we tend to listen to who is saying what is being said, rather than what is being said. I think that a government as new as this Ontario government needs to take the bull by the horns and—what was the name of the golfer over the weekend? John Daly. He went broke. He did not give a damn about the water, about the sand or about the distance. He just went for broke.

New governments have four to five years in which to make an impression on the permanence of change. It took a fellow in Saskatchewan who is interested in introducing medicare many years to do it. You cannot do these things in one year, so what governments do, they should be able to incorporate into the structure of the economy and the society as permanent elements. Sometimes you need outside support and outside consultation for this. You get so busy running a government, whether you are on the government's side or the opposition's side or the fringe side that it is hard to do new thinking.

I think we need to hire the best brains to do a fast systems study of our medical system. There is a perfect example in both papers this morning. I get up at 5 and I read all the newspapers, and the doctors have been told to

stop taking freebies. Well, that is going to cut the cost of medicare, and they are doing it before they are forced to because they recognize it is unseemly. Medicare could be reduced in costs by transferring the services so that low-cost services are given to low-cost needs. Do not put home-care patients in high-care beds. You need some of that as a new government.

Somehow you have to do something with the educational system. I work on the streets with kids in trouble with the law, drugs, prostitution, alcohol, homelessness, helplessness, low self-esteem, malnutrition, family dysfunction, physical violence, sexual violence, psychological violence. The educational system is not supposed to correct all these things, but some kind of educational system is needed to change things. The dropout thing is one of the problems.

Now, every time somebody screams against the government because of a deficit—I want you to—none of you are old enough to do this, damn it. In 1939, we had just been through the world's worst depression, and there was no money or welfare. There was no money for unemployment insurance. There was no money. But on September 3, the first shot was fired between Germany and Poland; by God, there was money for everything. Now, do not give me this crap about a deficit. Deficits are no problem. We solve them by inflation. So the governments pay them back with low-cost dollars. The deficits have never destroyed a country until inflation got too bad, as in Germany in 1923. Naturally, there has to be some control. If we need to develop high technology in this province to replace those jobs that have fled to countries where they can pollute to their hearts' content and rob their workers to their hearts' content, government and labour and management have to come together and develop a new infrastructure for making business viable, economically sound and develop new educational systems that prepare our people for those jobs.

I got into trouble at a golf club in Bracebridge last week when I asked the students from university who were serving behind the bar what the native confederation was. None of them knew. The manager came to see me on the first tee and said, "You shouldn't do that." I said, "Why not?" He said, "They don't even know what confederation means." There is lots to be done.

The Chair: Sir, there is time for one question per party, unless you want to go your own time out.

Dr Grassby: No, that is fine.

The Chair: We have about one minute per party so we will start off with the NDP.

Mr Sutherland: I certainly hope I look as youthful as you do when I hit my eighth decade, if I do hit an eighth decade. I just wanted to ask you about your focus on training and education. Could you give us some specific ideas of what we could implement that would help some of those people you deal with on a regular basis with your involvement with the Sudbury Social Agency Network.

Dr Grassby: There are two levels. First, the level of the dysfunctional child from a dysfunctional family who is an early dropout. What we do there is seek the network in the community that will support that child and will get him back into the educational system and give him the basics.

You cannot think if you cannot read. You cannot assess if you cannot add. So that group needs the basics.

But what we need in the general education system is an entire new viewpoint being presented to the children. Why are there no damn girls in engineering and science? Because we have stereotyped who is a scientist and who is this and who is that. Somehow, starting with grades 7 and 8, and some of that is being done in this town by weeks at the university and weeks at the science centre and what have you, we must stimulate in the children in the educational system the understanding that they will never be a complete citizen or a wage earner of substance if they do not have an education. I am not talking only training. Education comes from the Latin word "educare," which is to lead out and grow and develop. Education is what to do and training is how to do it. So we need both.

So in answer to your question, the kids on the street need the basic training. The kids who are going to stay in school need an expanding of their horizons so they see they are a complete human entity, not just a job seeker and not just a philosopher.

Mr McLean: Your brief this morning has made this trip worth while to me. This is the most excellent brief that I have heard and it is coming right directly to us. I have a question, and you are going to be surprised at the question because I have not heard you mention it in your brief. How is Metropolitan Toronto going to get rid of its garbage?

Dr Grassby: Put it in the SkyDome. They are both the same quality.

The Chair: Or Mr Kwinter. One question, a short one. No preamble.

Mr Kwinter: As a matter of fact, I do not have a question. I just wanted to comment that I would love to spend an evening discussing this with you. Unfortunately, I do not have time to ask you the questions that I would like to ask you, but thank you very much for your presentation.

The Chair: The next group would be the Elk Lake and District Chamber of Commerce. Would they come forward please. Since that group is not here yet, how about the Northern Ontario Regional Co-operative Housing Association? We have not got them either. How about Laurentian University?

This committee will take a recess for 10 minutes, and the gentleman who just made his presentation, maybe you can catch him out in the hall.

The committee recessed at 1002.

1012

NORTHERN ONTARIO REGIONAL CO-OPERATIVE HOUSING ASSOCIATION

The Chair: Since the Elk Lake and District Chamber of Commerce is not here, what we will do is ask the Northern Ontario Regional Co-operative Housing Association to come forward for its presentation. For the purposes of Hansard, would you identify yourself. Welcome.

Ms Wearing: My name is Honor Wearing and I am here for the Northern Ontario Regional Co-operative Housing Association. Next to me is Cameron Hopkins who is the secretary of our association.

The Chair: I will explain a little bit of the format. You have half an hour for your presentation and question and answer period. After your presentation has been complete, the remaining time up to the half an hour will be split among the three parties. You are at liberty to start now.

Ms Wearing: The Northern Ontario Regional Co-operative Housing Association—NORCHA, as we are known—is a federation of 18 housing co-operatives based in northern Ontario and representing more than 750 units of affordable housing. We exist to provide education and support services to our members and to give the co-operative housing movement in the north a voice on housing-related issues. A very considerable portion of our member families are in receipt of rent-geared-to-income assistance—up to 75% in the newer federal-provincial co-ops—and is very sensitive to changes in government policy in the social service areas. We are members of the Co-operative Housing Association of Ontario and the Co-operative Housing Federation of Canada.

Our general interest: Our interest in the 1991-92 budget arises from our fundamental belief that access to affordable housing is a social right and that no member of society should have his or her security of tenure threatened by economic eviction. We see the availability of safe, secure and affordable housing as central to the creation of healthy communities and essential to the physical and emotional wellbeing of our citizens. In short, we are concerned not only with the roof over people's heads but with the economic and social health of the co-operative communities we represent. We are concerned too with the plight of the many thousands of people without safe, secure, affordable housing and we argue that addressing their housing needs should be central to the social policy of any government. To be penny wise and pound foolish in budgets for generation after generation, as we will assert later.

Furthermore, we view the budget from the standpoint of communities in northern Ontario which have endured a century of neglect at the hands of various governments in Ottawa and Queen's Park. The consequences of having a resource-based economy and one-industry towns has been a never-ending cycle of boom and bust and chronic unemployment running ahead of the provincial average. This has produced an increased demand for services, including housing, which have often been found to be lacking. The best address housing needs in the north is to address other needs as well.

Finally, we see the potential economic effects of the budget in terms of economic stimulation, job creation and retraining programs in all of Ontario but particularly in the north. In view of the urgent need for economic diversification of the northern economy, we appreciate the attention given to housing and job creation generally in this budget. In this brief we will attempt to address the social and economic impact the budget will have in northern Ontario.

The need for housing and social services: According to Canada Mortgage and Housing Corp figures, the apartment vacancy rate in Sudbury has been consistently below 1% during the past three years, significantly below the 3% which is the optimum vacancy rate required to maintain market equilibrium. In fact, the supply of rental housing

ght that a recent report has concluded that 27,000 units additional rental housing are needed immediately to bring Ontario's vacancy rate to 3%. This is a pretty clear indication of the failure of the market to address the need for supply of an essential commodity. On the affordability issue we have a serious crisis. In Sudbury alone, 35% of households spend in excess of 30% of their income on rent. Other data compiled by a recent study of the social service research and advisory group document the extent of the affordability crisis experienced by low- and moderate-income earners in the Sudbury basin. We are aware that the situation is worse in many other cities, including Toronto.

Numerous studies quoted in the Social Service Research Advisory Group report have documented the link between affordable housing and health. Surely it is not necessary to reiterate the long-standing conclusions that unemployment and low income contribute directly to inadequate housing, nutrition and personal health. The Ontario Ministry of Health's Panel on Health Goals for Ontario reported in 1987 that government action, including provision of affordable housing, is required to reduce risks to health. It is surely obvious that unhealthy citizens cannot hold a job and pay taxes and that unhealthy citizens will produce a drain on resources of the health care system.

Moreover, the Ontario government's review of the social service system led to the publication of *Transitions: Report of the Social Assistance Review Committee*, in which housing was described as "one of the most critical problems facing social assistance recipients and the working poor." The report made numerous recommendations regarding the need for speedy action to address the housing needs of the poor. We have no doubt that no MPP spends 70% of his or her salary on housing or has any need to make a weekly trip to a food bank. Many of the members we represent did just that before they found their way into a housing co-op.

We are acutely aware that the present recession, exacerbated by high interest rates and free trade, is responsible for a dramatic increase in unemployment. This is hardly the fault of either this Ontario government or its predecessor, but as incomes have fallen, the need for affordable housing, as well as social assistance and other social services, has dramatically risen. Furthermore, the tax base has been seriously eroded and revenues have declined. The cuts in federal transfer payments, amounting to some \$1.6 billion, are particularly reprehensible in view of the federal role in addressing the economic crisis.

The Ontario budget: We wish to commend the Ontario government for resisting pressures to cut and slash social programs and investment in social capital and for its expression of confidence in the Ontario economy and the Ontario people. The job creation programs, the proposed improvements to the infrastructure of the province and the emphasis on skills training are all of immense importance to low- and moderate-income earners, the single parents, the disabled and the senior citizens who make up most of the membership. So is the budget commitment to make sure that the cost of economic adjustments are not borne by those least able to shoulder the burden. Thus refusing to

pass on the consequences of the \$1.6-billion cut in federal social spending to the consumers of municipal, health and social services was a courageous and sensible response.

We particularly wish to address the housing initiatives in the budget. The budget commits the province to producing 10,000 units of non-profit housing beyond existing programs as well as providing funding for the remaining units in the 30,000 Homes Now program announced in the 1988 budget. Indeed, most of the 39% increase in the housing budget relates to the subsidy requirements of the Homes Now program.

This strong commitment to social housing will enable some 20,000 families to move into non-profit housing, including co-op housing, in the next 12 months. This will begin to address the needs of the 100,000 families on non-profit waiting lists in Ontario, not to mention the 500,000 Ontario families which pay more than 30% of their income for rent.

The social and economic effects of this spending in social housing are enormous.

First of all, we object to the disparaging designation of social housing as subsidized. All housing in this country is subsidized, from the tax breaks for investors in rental accommodation to tax exemption for capital gains on sale of residential property to supply-side subsidies for non-profit housing.

Second, an expenditure on housing, like an expenditure on a school or a municipal water and sewer system, is not government consumption. It is, rather, a public investment in social capital which will provide a long service to the community in meeting social needs. We understand very well that when we take out a mortgage to buy a house, it is quite different from borrowing to finance a vacation. The house is an investment with owner equity; the holiday is not.

Third, the creation of co-operative mixed-income communities, which are the ones we know best, provides a supportive environment for residents that reduces the need for other kinds of social spending and encourages personal growth and skills development. Furthermore, the volunteer participation produces operational savings of up to 25% as compared with other forms of social housing.

Fourth, since little new rental housing is being built outside the non-profit sector, the construction of 10,000 units of new housing will create some 20,000 jobs in construction and thousands in the manufacture of lumber, bricks and siding, not to mention flooring, roofing, appliances and so on. Beyond that are economic multiplier effects in the wider community and service industries. The economic stimulus is widespread in Ontario and will have a significant effect on lumber-producing communities in the north.

Fifth, the fact that land prices and interest rates have fallen with the recession makes this an ideal time to initiate new construction since dollars will go further and the public purse will benefit for many years to come.

Finally, to fail to invest in social housing and particularly co-op housing is to ensure that the social cost of poverty and homelessness is paid again and again by the people of Ontario in health care costs, in low wages and in the costs of despair, including substance abuse, crime and family

violence. If we want healthy communities, the provision of safe, secure, affordable housing is a good place to start.

The alternative: Those who criticize the budget have some responsibility to tell us what their strategy is for deficit reduction and economic recovery. There can be no doubt that keeping the deficit at \$3 billion would require dramatic cuts in college and university enrolment, elementary and secondary school classrooms, hospital beds, public health budgets and home care programs for seniors and people with disabilities. There would be cuts in social assistance and family benefits, prescription drug programs for seniors and those on family benefits, legal aid programs and highway maintenance.

Which programs would the critics cut? A high proportion of our members are living at the poverty line. They would like to know if the opposition wants to cut their family benefits or drug plan. What about health care and education? Should it be harder for our grandfathers to get a gallbladder operation? Should it be harder to get remedial reading assistance for the learning-disabled? Should we not sand and salt northern Ontario highways next winter?

What jobs in the public service should be slashed, thereby adding to the unemployment and driving up the demand for social services without the resources to deliver them? What municipalities should have their capital grants cut? Which of the homeless should be told to wait until the recession is over to get an affordable place to live? Would business people prefer that the social assistance payments in this budget and the purchase of cement, lumber, appliances and construction services required for housing not be reflected in the ringing of their own cash registers in their own businesses? Or if they do not want to cut the services, would they entertain a surcharge on income tax for high-income earners to fight the deficit?

We are anxious to know the answers to these questions because our members have a right to know if anyone close to the levers of power is keen to threaten their social and economic security. When we get the answers, we will be happy to share them with our members and the wider community.

In conclusion, we do not see in this budget everything we would like. The waiting list for social housing is still very long. But on balance, this is a responsible and forward-looking budget that provides support for society's most vulnerable members, which protects municipal, health and education services and which invests in infrastructure and skills development in a way which leaves Ontario well placed to leave the way out of the recession.

1030

It seems to us that a per capita deficit of just over \$1,000 is absurdly small by national or international standards. The Ontario combined deficit requires 10 cents on the dollar to service; the federal debt more than 30. Moreover, any family would be willing to invest an average of \$1,000 per person to build family assets—for example, a house—to upgrade skills to be more productive or to get through a winter of unemployment, if a job were looming in the spring.

Borrowing by individuals is a way of life in North America essential to keeping the economy going. How borrowing by the state to buy the same kinds of goods with roughly the same economic effect should be regarded

as a bad thing is quite beyond our ability to understand. We believe it is this Ontario budget and not the federal budget that should be the model for fighting the recession and we commend the Ontario government for it.

I will just read the addendum underneath the reference. A quote from the Social Service Research and Advisory Group study captures the essence of our view on the importance of housing in economic and social development, and hence our reasons for promoting co-op housing as an economically and socially viable approach to building communities:

"Emotional wellbeing is the first achievement necessary to overcome physical and economic barriers. While permanent housing may not ensure emotional wellbeing, a lack of permanent housing does ensure that emotional wellbeing is a persistently evasive goal. This in turn results in a constant, if not increased, demand on all support services such as food banks, general welfare assistance, personal counselling for mental health and substance abuse treatment, employment programs and so on.

"Housing is the foundation from where people build their lives and their communities. A community which hopes to maximize its social and economic development must ensure adequate and affordable housing for all its citizens."

Mr Kwinter: I want to thank you for your presentation and I want to make a comment. There is a common misconception that I have noticed through a lot of these presentations that we are Ontarians and we are totally separate from Canadians, and there is always a comparison saying "The federal debt is 30 cents of every dollar while Ontario is only 10 cents of every dollar and that's fabulous. Look at how great we're doing." We are both Canadians and Ontarians. That 30-cent debt is ours and the 10-cent debt is ours. You cannot compare them to say, "Look at how poorly they're doing; look at how well we're doing."

It just means that 40 cents of every dollar is now going to pay the debt of us as Canadians, not us as Ontarians. We have to share both debts. I just want to make that clear because I keep hearing all these comments, "Look how well we're doing compared to the federal government." We are not doing any better. We are the ones who are paying the tax. Every one of us is paying both of them and it is a cumulative effect that is really the crusher.

Mrs Sullivan: I want to make a comment about the general approach of your brief, in which I was quite disappointed because I would like to have known more about the co-operative housing initiatives in northern Ontario that you are specifically dealing with and the problems you are facing rather than having what we hear from the umbrella Co-operative Housing Association of Ontario. We are all familiar with the co-operative housing movement and many of us are very active in supporting co-op housing in our own communities. I think there are many areas that we would have liked to hear you address rather than hear really a kind of partisan note relating to the budget.

For example, you have not talked about the approval process and the necessity for changing that. Is that a fact here? You have not talked about the deficiencies in the budget in relationship to the expansion of sewage capacity

at a factor here? You have not talked about the number of units that are being built as a result of this budget that will be coming on stream in your own communities, and about the particular problems you are facing that the budget does not meet. Those were the kinds of things that would have been very useful for this committee to hear, as we would like to get that information back to Queen's Park.

We do not have an awful lot of time, but I hope, in the time left or so that I have left for my response, that you can answer those.

Mr Hopkins: Yes, I could make a comment or two on this. I would just like to say that as a federation representing northern Ontario we are not divorced from Ontario as a whole. Certainly we are concerned about the number of allocations that come to northern Ontario. As a matter of fact, under *Homes Now* and federal-provincial housing in the last year we are talking about roughly 1,600 units, of which only approximately 300 were co-op. There are a number of things about the allocations that we thought should be much more appropriately directed to the Ministry of Housing rather than in a budget discussion, and we have said precisely that. Of the 10,000 units, we might very well hope that as many as 1,000 would come to northern Ontario to redress some of the imbalances of the past.

I would also like to note that a 30-cent contribution to deficit on the federal base budget and a 10-cent deficit on the much smaller Ontario base budget does not add up to 40 cents on the tax dollar. It adds up to something in the order of thirty cents. I think your point that we are all responsible is correct, but we are dealing with different areas of responsibility and with significantly different tax bases and abilities to pay.

Ms M. Ward: Thank you for your brief. I was interested in a comment on page 4, where you point out the fact that the land prices and interest rates have fallen with the recession, making this an ideal time to initiate new construction since dollars will go further and that the public sector will benefit for many years to come. I think that is a good thing to have pointed out. I think it also applies to other areas, aside from the housing initiatives: the anti-recession program and the funds that came to northern Ontario generally used for construction and so on. Again, more can be done with that money at this time.

I take it the housing situation in Sudbury is quite bad. You say there is a vacancy rate below 1%. I was here in the center for the hearings on Bill 4 on rent control. Do you think Sudbury is in quite a bad situation with regard to housing?

Ms Wearing: Yes, apparently it is about half a per cent right now, which is crisis proportions.

Ms M. Ward: How do you feel the situation would be there were not this funding in the budget not only for housing but for the anti-recession projects which have maintained employment?

Ms Wearing: It would definitely be a lot worse.

Ms M. Ward: Did Norm have a question?

Mr Jamison: Yes, the question I have deals with the recession and the effect of it on the building and construction of co-op units and housing in general. Do you have any comments on the effects of being proactive in the housing?

Ms Wearing: I am not sure exactly what you are asking.

Mr Jamison: The numbers of units announced have increased, probably not the numbers we would like, but certainly there has been an increase in allocation. Connected with the economy and the recession, do you feel that that is a positive effect?

Mr Hopkins: I think we would say it is a particularly positive effect because significant components of housing are produced in northern Ontario, lumber, of course, being the obvious case. Moreover, it must be said that all facets of construction, of housing, have perhaps more significant economic stimulus value than almost any other kind of government expenditure. Obviously the construction jobs are important, the manufacture of the components such as the lumber and the roofing and the cement and all the rest of it. There is the appliance manufacturer and there is the local business activity that goes on. The effect is distributed throughout the province, and in our view this is a very important initiative. Even though we would have been happier with 20,000 units, we certainly appreciate the thrust and we know very well that the expenditure is being made not only to meet a social need but also because of the economic stimulus that comes from it.

1040

Mr McLean: You say, "We wish to commend the Ontario government for resisting pressures to cut and slash social programs." Can you tell me what news release there is or who has said they want to slash social programs?

Mr Hopkins: The federal government has put enormous pressure on all provincial governments to hold the line on spending. To imagine that you can hold the line on spending or have zero deficit without slashing social programs would be, I should say, an exercise in fantasy.

Mr McLean: I thought you were referring to somebody in Ontario who was suggesting that, because you had indicated you were talking about whether the business people here would prefer to have their cash registers not ringing because they want social programs slashed.

Mr Hopkins: I think perhaps the chamber of commerce should address that. I have not heard the chamber of commerce brief.

Mr McLean: But have you heard anybody in Ontario say that social programs should be slashed?

Mr Hopkins: I think the way it has been put is that there has been enormous criticism clearly from the opposition parties and from business for running up a deficit of \$10 billion. I only say to you that most of the deficit is reflected in health, education and municipal services spending. You cannot hold the line—

Mr McLean: No, you are not answering my question, you see? It is all right for you to say that, but I want you to tell me and show me where it has been said that social programs are going to be cut. I do not know of anybody of any opposition party who has said that.

Mr McLean: The civil service got a 5.7% increase and some got an 11% increase. We have people at food banks, we have the poor people out there who are needing

help. Would you sooner help the poor people or would you sooner give the civil servants an increase?

Mr Hopkins: I have no hesitation in saying that ordinary people who are doing a job ought to receive reasonable remuneration for the job they are doing. It seemed to me, from news reports I read, that the 5% increase has gone to people at the lower end of the scale and that the higher increases have gone to people at the higher end of the scale. But I confess to not being entirely sure about how that is distributed.

I am not prepared to argue; our organization is not prepared to argue that public servants should have a freeze on wages. If they are doing a job they should be paid accordingly. But quite clearly it is not either/or. We would prefer to see an end to food banks. We would prefer to see full employment. I think it is fair to say that if the approach that has been taken in this budget wins some plaudits from the Conference Board of Canada, it cannot be entirely out to lunch.

The Chair: Thank you for your appearance here at the committee.

DEREK WILKINSON

The Chair: We will call on Mr Derek Wilkinson, Laurentian University, to come forward now, and make your presentation to the standing committee on finance and economic affairs. Welcome, sir, and you have one half-hour.

Dr Wilkinson: You are 15 minutes early. Does this mean I get 45 minutes?

The Chair: Are you representing yourself or the university? The research staff would like to know.

Dr Wilkinson: I am representing myself.

The Chair: Okay, you have half an hour, and out of that half an hour, at the end of your presentation, leave some time for the three parties to question your presentation, please.

Dr Wilkinson: I will try not to take it all.

The reason I asked to speak to the standing committee on finance and economic affairs is that I have been reading some criticisms of the current budget in the press. In particular, some authors have declaimed the fact that it is a deficit budget. I should like to add my voice to those who support this budget and oppose changing it. I would particularly oppose an attempt to push through a balanced budget without regard to the social consequences.

My remarks will be based primarily on three claims. First, it is important to cushion the blow for those who are unemployed by maintaining basic social services. Second, expenditures on education and health are very appropriate, especially in a recession. Third, progress towards equity should not be compromised. The fact that these expenditures at the same time have a beneficial economic effect is an underlying and linking theme.

Economic benefits: Perhaps the most important aspect of the context which applies to the budget is the fact that Ontario is experiencing a recession. A number of factories, businesses, mines etc, are laying off workers, reducing output and in many cases closing or moving to the United States. Some aspects of this appear to be caused by free

trade. Some aspects appear to be caused by the GST restricting individuals' spending. The high interest rates which have been maintained by the Bank of Canada may also play some role. The end result is a significant contraction of economic activity.

The tragedy is that the federal government has been maintaining a much higher deficit with spending on programs which do little for the economy. Grants to industries for modernization of equipment often lead to companies in these industries buying capital equipment abroad and laying off less-skilled workers at home.

In this context, the Ontario budget also makes good economic sense in the short run. James Frank, chief economist of the Conference Board of Canada states: "A tight fiscal plan would have led to a significant delay in recovery and contributed to further increases in unemployment, bankruptcies and lost output."

Indeed, the Keynesian economic policies of this government are not substantially different from those followed by Franklin Delano Roosevelt, which helped pull America out of the Depression. The budget is economically rational; it is also socially responsible.

Basic social services: The major point missed by critics is the effect of this recession on people. The recession has caused a great increase in unemployment. The rates of unemployment can be obtained from economic statistics. What I want to emphasize is the real nature of this. Almost everyone I know has relatives who are unemployed; many of my brothers are currently unemployed; many of my students who have recently graduated are unemployed. Others are employed in jobs which they could have obtained with no secondary education at all. This recession means that significant numbers of Ontarians are suffering in a very real way.

Dr Patrick Burman, a sociologist at University of Western Ontario, has done significant research on unemployment and people's activities. He demonstrated that for the first year and a half many unemployed people work very hard trying to get a job. After a year and a half, on average, they begin to lose their optimism and start to become resigned. They lose their self-esteem and their sense of dignity; they come to blame themselves.

1050

People who are put through this crisis situation often experience greater difficulties with their health. Studies have shown increased cigarette and alcohol consumption, greater probability of disability, more distressed mental health, etc. Some research has even shown that the mere threat of unemployment causes reduced psychological wellbeing. The health problems consequently lead to increases in health care costs.

Unemployment also leads to family stress. Burman found that relationships within the family suffer as the family becomes responsible for bearing the economic burden. Children will suffer because of difficulties the family faces, if indeed the family remains together. We predict that the first response for children will be declining school grades and a greater propensity to drop out of school. The long term may bring higher delinquency rates and hence greater costs in law enforcement, as well as an increase

1 for social workers in schools. The reality is that these al costs are not often measured.

I am currently engaged with another sociology profes- and two economics professors at Laurentian in a study determine exactly how these factors intermingle in hern Ontario. Our study uses Elliot Lake as an instance ook at the combined economic and social effects of ng laid off. It will also look at the effects of various ernment assistance efforts. I have appended a two-page eral description of our project to the written presenta- in case you would like more details. Our hope is that research will uncover the most effective strategies for vering assistance.

If it is important to minimize the social costs, to cush- the effects, it is important to do proper research on rvention processes. If the main aim is to balance the lget no matter what results ensue, then such research is ntless. We do not prioritize balancing the budget over hioning the effects of unemployment and economic cri- because budget-balancing may be much more expen- e in the long run. Once all the indirect consequences of economic crisis accumulate, they may entail a greater icit than would a tight-fisted, narrow-minded, Uncle oooge conservatism.

We can show this by counterposing two hypothetical estions. How difficult could it be to recover from the ancial costs after the recession is over? How difficult uld it be to recover from the social costs after the reces- n is over? The obvious answer is that a financial deficit uch easier to recover from than is a social deficit; thus, importance of the government's present policy of mini- zing the social costs. It makes good long-run sense.

Education and health: Educational spending must be intained. When the recession is over, it is the education e workforce that will determine how well develop- ent advances. Apart from the regular multiplier effect on e demand for goods and services in an area, education ntributes to greater employee productivity in the future. nd the best time to train people is during times of reces- on when people are not otherwise in demand. In times of pansion, industry's demand for labour is quite high. erefore, to avoid competing with industries, it is best to vest more in training during periods of recession. The overnment's program to expand and maintain services is rticularly appropriate in its emphasis on maintaining ending on education.

The other important aspect of education is that it builds pe. It counteracts the tendency towards despair through gaging people in a process of development, a social pro- ss through which they become more empowered and owledgeable about their citizenship rights. This hope n help people survive through difficult times.

The difficulty we have experienced getting funding for ur project to employ interviewers and coders to document e processes of adjustment to layoffs leads me to a mod- ate criticism. There appears to be no mechanism in the overnment, with this budget, for long-term analysis of the oblems Ontarians will face, no emphasis on research. ut this is something which should be important for a overnment which wants to ensure the long-run prosperity

of working families. Somehow there should be some funds allocated for socially relevant, long-term research which is not part of the regular bureaucratic process aimed at imme- diate problems.

Some of the budget deficit is based on spending for health. This has been a growing problem for many govern- ments, not just the Ontario government. Here, the agree- ment limiting doctors' salaries through OHIP is a landmark in beginning to establish control over expenses. What the population wants is not health cuts, but the means of con- trolling the growth of health expenditures. And this is a problem which the government has been facing.

Equity: Projects which create social equity are also im- portant. A significant aspect of the budget is funding for employment equity. Provision of increased day care fund- ing is an important accompaniment. Some would say there is no point proceeding with equity during a recession: Wait until good times when it can be achieved at no expense. But it is important to continue meaningful progress to- wards equity in the worst of times. Basic citizenship rights which have been denied in the past, particularly for women, should not have to await governmental surpluses. Women deserve equality now, and this government should be applauded for taking positive steps towards that equality.

Immediate results of the policy at Laurentian: Just for the record, I would like to point out that the opinions I express are mine and not those of the university. The job creation capital development program in this budget af- fecting Laurentian University combines social support, ed- ucational development and progress towards equity.

The almost \$2 million contributed by the government as part of job creation capital projects will provide office space. Both research and teaching have suffered greatly from lack of space at Laurentian. In addition, facilities are being provided for the disabled in the form of appropriate elevators and washrooms, a long-overdue development. Support for the development of a francophone day care centre at the university is also an important step.

Conclusion: The bottom line for budget critics is what should be cut. Food and housing for the unemployed? Ed- ucation and health for the majority? Or equity for women, the handicapped and minorities? This budget does not cut these. It stimulates demand and maintains hope, through spending on job creation and educational programs.

I would like to thank you for giving the public the opportunity to become involved in the political process and to give more input than they are usually allowed. But please do not change the overall thrust of the budget. Do not opt for a social deficit merely to balance the budget. Think of many people at the bottom who need the social programs. They need these programs to survive, to keep their dignity and to keep skills intact, looking towards the end of this recession.

Mr Sutherland: Thank you, Dr Wilkinson, for your presentation. I am almost tempted to pass for the time being and let Mr Kwinter come up with his response to the Mr Frank comment, but I will not do that.

You talked about critics saying where the cuts should be. We heard Mr McLean ask the last witness who in Ontario had said that there should be cuts to the programs.

It is interesting to note that the opposition parties have been what I would call very coy on that, saying that those should not be cut.

But they have also been very critical of the high deficit, and when I think of the third party and the tax fighter himself, Mr Harris, not wanting to raise taxes—and certainly good economic theory says you should not raise taxes, particularly business taxes, which we have not done in this budget—I really wonder if the only logical conclusion would be that they are suggesting cutting services as the way of balancing the budget. I would hope they will at some point elaborate on how they would have operated the budget, whether they would have had the deficit or whether they would have cut services, or would they have actually raised taxes?

We have you here today in terms of sociological perspective and what impact a recession has. I think what you are saying is that if we had not maintained the services, the longer people go without a job or are laid off, the more their self-esteem goes down, and the more they lose their confidence, and the longer it is going to take them to get back into the job cycle, and the more services they are going to use. I think that is really what we want to hear out of these hearings, what the impact of the recession has been on people and what that means for the longer term in terms of taking advantage of the recovery.

I want to pick up on your point about training. You express some concerns. Give us an honest evaluation of the education and training programs in this budget? Have we done enough. Should more have been done?

1100

Dr Wilkinson: Oh, I am not unhappy with the education and training programs in this budget. No, given the circumstances of the recession, there is some necessity to limit expenditures and I think the budget has preserved allocations for education. The part that I added was something on provision for research for general social problems, which does not really come under education and training.

Mr Sutherland: In your research, have you come across other types of programs that are particularly effective and needed in dealing with the type of impact a recession and layoffs have on people? If you have, can you give us some idea what types of programs they are and what issues they need to focus on?

Dr Wilkinson: No, but I think educational upgrading is quite important. A lot of the people in Elliot Lake, as far as we can see, are actually going back for educational upgrading and will go on.

Ms M. Ward: One particular comment you made—I was walking back from picking up a coffee—it really hit me and I think it is something we should engrave in our minds. You said it is easier to recover from a financial deficit than from a social deficit. I am not sure if those were your exact words.

Dr Wilkinson: Yes, exactly.

Ms M. Ward: I think that is very relevant and we should remember it. I certainly will try. When you were mentioning the conference board I just thought we might suggest that we speak of Informetrica, instead because the

witnesses who are referencing the conference board getting a big response out of the opposition. Mr McCrack also was quite complimentary about the budget. That is an alternative reference for people to use.

Mr McLean: I appreciate your brief. It was very well done and I want to say that I do not think anybody has been calling for a balanced budget. I do not know anybody who does. It would not matter which government was in power we would be in the position of a deficit. But the question we have—and you touched on it briefly—is about skills training.

It is very important to me because it is an opportunity to be training people for their skills. I have not seen anything in the budget that is going to help that. Have you? That is the problem I have. You indicate that it is important and it does not directly reflect that it is going to take place until a few years down the road. What are your comments with regard to skills training?

Dr Wilkinson: I am not sure what you mean by skills training, but it seems to me that general education is what is needed in our current social position, because what happens is that people will not likely have the same job over their lifetime, so they will have to have more general abilities. Some of the skills training programs are focused narrowly. I am not saying I am opposed to skills training but I think it would be wrong to say, "Let's just train people specifically for these jobs," because those jobs may not be there after another decade. It may be different kinds of economic circumstances or different kinds of technological circumstances.

It is important to give people a general education so that they can teach themselves. So I support education in general rather than specific skills training, but I do think, as you say, it is important to maintain the training for skills that are going to be—

Mr McLean: You touched on the doctors' salaries being capped. What else in the health field would you do—it is a third of our budget—to try to hold the line on health spending, so to speak? What other avenue? There is a hospital in Ontario now, and I am not advocating it is right, but when people leave the hospital and they have pills to take home, they are charging them for those pills. That is a kind of service—I do not know, I guess they could not give them for free, but give them a prescription so that they would go and buy them. They are giving them from the drugstores in the hospital and charging them for them. What avenue would you see to try to control some of the spending in health care?

Dr Wilkinson: I agree. As I said, a lot of governments are having trouble with health care. I think it is quite a difficult problem. My area is actually sociology of education so I do not know a lot about health care. I agree that expenses should be limited, but I really am not sure how to do it.

Mr McLean: I enjoyed your brief. I agreed with most of it but not quite all.

Mr Kwinter: You just happen to be the first opportunity I have had to talk about James Frank. I do not want you to think this in any way reflects on you, but it is kind of interesting in that virtually every single person who has come before this committee, who wants to quote an expert that is supportive of it, refers to James Frank.

I do not know whether you have seen this or not, but there was a chart that appeared in the Financial Times. It is, "How Well Economists Called the Shots." It evaluated the top 15 economists in Canada. They have taken a look at their record over the years and they said, "Here's how accurate they are." When they list them, number 15, the last one on the list, is James Frank. The year before, he was first on the list, so he is getting better or worse, depending on how you look at it. But out of 15 last year, he was number 15. He was the worst projector of what the economy was going to do. I wanted to put that into the record.

Dr Wilkinson: Yes, but this is not Playboy. This is the Financial Times, right, that is reading this?

Mr Kwinter: This is the Financial Times.

Dr Wilkinson: They have to pick out particular things. I would not want to defend—

Mr Kwinter: No, what they have done is they have spread across the whole sector of the economy all of these things and they have said, "Here is how these people performed in their projections."

I will give an example. When we had our budget hearings, we brought in a man, Mr deBever, who we thought had a good handle on this. Last year, he was third out of 15 and this year he is fourth out of 15. He is still up around the same level. No one ever quotes him. They always quote James Frank. The point I just want to make is that of the 15 top economists, he is number 15. I just wanted to put that on the record.

Dr Wilkinson: Can I be honest and add another answer to that?

Mr Kwinter: You do not have to apologize for him.

Dr Wilkinson: I would like to say I actually thought about excising that. I thought it was not a good thing for me to quote because many times in the past I have disagreed with what the Conference Board of Canada has said. So it looks bad if I just say here—because I did not want you to listen to me just because it was the conference board. I actually think it is—

Mr Kwinter: You do not have to apologize for him.

Mr Phillips: Just one little comment on the OMA agreement, by the way, just for a point of information. Rather than controlling it, it is now in the hands of an independent arbitrator. My own judgement is that the government has completely lost control of it, and it now has nothing to do with the government. The arbitrator will make that decision in the future. That is just a point of information for you.

Through this exercise, my own feeling on all of this is that we are all listening to forecasters. We will only know a year from now—I think a year, maybe a little bit longer—whether the budget is good or bad.

I am going to keep all these briefs. That is why I liked our quoting the Conference Board of Canada. I think you may live to regret the conference board.

But my question to you really is this. I think most of the critics of the budget have been concerned about the revenue side of the budget, the economic activity. All of our budgets are the same. We get some money and we

spend some money. Some years we spend more than we make, some years, hopefully, we spend less than we make. I guess you are saying to us, "Listen, I think this is the right budget to ensure the economic future of this province." That surprised me a little bit, because the budget called for an unemployment rate of 10% next year. It calls, you say, for a Keynesian theory, but it calls for deficits ad infinitum of \$8 billion to \$10 billion. It is not a Keynesian budget of surpluses and deficits. A year from now, you are saying to us, we will come back here and you believe this budget will have been the budget to generate the right economic activity to ensure wellbeing in the future. That is the concern of our party, I know, and I suspect of the third party, but you are convinced this budget will get the economy of Ontario going. If that is the case, what would you expect a year from now in terms of things like unemployment and deficits?

Dr Wilkinson: Maybe I did not express myself very well. I do not think that this budget will get the economy going. I think, as someone said earlier about the 30 cents for the federal government, that we are part of Canada, we are part of North America and we are in a free trade agreement. A government budget is not the only thing that affects our economy. There are many other things that are going on. So one year from now, I cannot say that there will be a change in this.

What I am saying is that I think the budget, the way it is done in terms of the deficit, is doing the kinds of things which are likely to be successful if there are things which can be successful. Maybe there are not. I am not very happy about what I expect to see next year. I have seen a lot of industries close which I did not want to leave Ontario or to leave Canada. I do not know what can happen on that.

The Chair: Thank you very much for appearing before this committee.

Mr Sutherland: Mr Chair, just before we continue, I was wondering if all the committee members could have a copy of this article that was referred to on the rating of the economists.

The Chair: Okay, fine. I will see that the clerk copies it.

I would like to note that the Elk Lake and District Chamber of Commerce had the wrong date on their calendar, so they are not appearing today. What we will do is ask the Théâtre du Nouveau Ontario, if they happen to be present right now, for their presentation. Since we wind up with the group that is on for 11:30, this committee will recess for 20 minutes until 11:30.

The committee recessed at 1113.

1133

The Chair: I would like to inform the committee that the clerk has just checked with the last group, the Théâtre du Nouveau Ontario, and they are not going to be appearing. So this committee will recess until 1 o'clock.

Mr Sutherland: Just before we recess, I would like to make a couple of comments on this chart that Mr Kwinter referred to. Mr Kwinter suggested that somehow, because Mr Frank was 15th on the list, we should not accept his arguments as being credible. Remember, this is the top 15

overall, and we know there are far more than 15 economists in the country, so I think we should look at it as a positive sign that Mr Frank is on the top-15 list in the country and not so much the fact that he is ranked 15th.

The Chair: Mr Kwinter, would you like to reply?

Mr Kwinter: Every single person who comes forward, if he quotes any economist, has been quoting James Frank. My only concern is that, when you consider that of the top 15 economists he is 15th, why are they not quoting anyone else? Why not quote some of the other economists, who are critical? That was my only point. If he had appeared as number 1, I can assure you that you would be

saying: "Take a look at this. This guy is number 1." The fact that he is number 15, you are saying, "But after he's still in the top 15." That is fine. I have no quarrel with that. I just happened to come across this by sheer accident. I looked at it and I said: "Now, isn't that interesting? The top 15, he is 15th." That was all.

Mr McLean: The interesting point of it all is that the government side never had that at all; it had to come from the opposition.

The Chair: We are officially recessed now.

The committee recessed at 1135.

AFTERNOON SITTING

The committee resumed at 1303.

IAIN MACDONALD

The Chair: We will resume our budget hearings at the standing committee on finance and economic affairs. The first group we would like to call is the Manitoulin Health and Social Services Advisory Committee. Would you please identify yourself for Hansard. You have one half-hour. Make your presentation and leave some time at the end for questions and answers of the three parties. The three parties will wind up dividing the time equally. I welcome you to this committee. We will be waiting for your brief.

Mr Macdonald: My name is Iain Macdonald. I have been spelling on copies of my presentation so that Hansard can get that right. The part of Scotland I was born in is named to have its own variations of spelling both Iain and Macdonald, so I will leave that for the record to clarify.

I was tempted not to come because while I chair a committee which is important to the life of Manitoulin Island, I think my remarks are mainly personal. I thought so compassionately, being a minister, of what kind of kind-numbing experience this must get to be for you to have to listen to everybody. But when I reflected on it, I thought, what the heck, I am a citizen and this is what you are here to do. So let me extend my personal welcome to you to rainbow country and say only that while Sudbury is the fine city in which to gather for these hearings, what a pity it is that we could not have provided you the wonderful hospitality of Manitoulin Island today.

Mr Sutherland: That would have been a good place to go.

Mr Macdonald: I bear Sudbury no grudge in this, nor speak I with envy, but I am bound to observe that your own wellbeing would have been immeasurably enhanced by the beautiful, serene surroundings of our island. Perhaps you will have the good fortune to visit us there in the near future.

The Manitoulin Health and Social Services Advisory Committee comprises consumers, providers and elected municipal representatives and meets monthly to discuss health and social service issues affecting Manitoulin district. The committee has a reporting relationship with the Manitoulin Municipal Association and the Manitoulin-Sudbury District Health Council, and with the Ministry of Community and Social Services for seniors programs.

The committee has not discussed the provincial budget as much, so I have no resolution from it to convey to you, nor indeed has it directed me to make any particular submission to you. My comments today are accordingly personal, albeit enriched by my experience with the committee.

I appear today to commend the Ontario budget but not extol it. I deplore the deficit and its extraordinary amount. Any thinking person in Ontario or in Canada would surely agree. But I do not see what defensible alternative was available to any new government in the circumstances. In that sense, this seems to me a non-partisan deficit rather than one caused by what some in the media have leaped to characterize as socialistic principles of the New Democrat

government. Even the former Liberal government would have been looking at a deficit in excess of \$8 billion, given the shortfalls in provincial revenue caused by the recession and cuts in federal transfer payments.

I might add a third factor affecting revenue about which I can only speculate, but which I would welcome any discussion about. That is what a friend has described to me or named for me as the "underground economy," by which increasingly people work for cash payments as a means of evading the need to pay tax. The existence of that is made known to me in my hat as a minister through the privacy of the confessional. I cannot really speculate on what information has come to you about that, but the impression I have is that its impact on tax collections must be substantial.

Those are factors that I think even the Liberals would have had to deal with. The argument that acute recession in Ontario called for some public works pump-priming would surely have had some persuasive force with a party that advertises pride in its compassion.

It seems clear today from what they have said, and I suppose your being here today demonstrates that they said it, that the provincial wing of the PCs devoutly wish the deficit had been smaller. But I do not know by what process they would have provided reductions had they won office last September instead of the present government, because to take a dollar out of the deficit, logically you have to take that dollar out of provincial programs. Either they were simply going to impose such cuts holus-bolus or they would have been obliged to enter into some such consultative process as this, which they urged, and the deficit, provincial credit rating and time frame would have been about the same. In that sense, I see this as a non-partisan deficit.

One great benefit of this budget is that the government has sustained the level of health and social services at a time when they were sometimes desperately needed. It is not merely that the so-called safety net of the province was kept intact; its effectiveness was protected. Any social program is affected rather traumatically by funding cuts. What may seem to an outsider as simply a matter of tinkering with the scale of things here and there, from the inside becomes a time-consuming preoccupation with sorting out whose ox is to be gored how badly. The case load inevitably suffers during the process of readjustment.

1310

We did not need to overlap that sort of year of traumatized professionals with the present year of traumatized clients whose jobs, hopes, morale, and sometimes homes and families as well, have evaporated in the course of corporate downsizings and restructurings.

The collateral benefit has been that the budget also sustained a base level of economic activity which has insulated us from the worst shocks of the recession. You might have thought, for example, that interest rates and the addition of GST would have eradicated tourism in Ontario this year. In fact, the reports are that Manitoulin Island has enjoyed a good season so far, after a somewhat scary slow start.

Whatever people might have said about the budget, the indications are that a great many have been able to continue to enjoy life in spite of the recession. Lord Keynes prescribed government spending as a remedy for hard times. These have been hard times and the prescription seems to have helped the patient.

Perhaps as important is that the budget invested in Ontario's infrastructure at a time when such investment is jeopardized by federal policies unseen in Canada since the Bennett government in the early 1930s.

Cuts in provincial programs may well have to come for compelling reasons of economic prudence. But for this year, at least, the highways have been repaired, bridges maintained, GO service continued, hospitals operated intact, seniors housed, young people educated and more people employed. We have had time to begin to think how and where, if they are to come, cuts might best take place in our communities.

Let me digress briefly to allude to one problem. Keynesian approaches to economic policy have been under attack in recent years, because while it is easy to do as Keynes urged and spend in hard times, it has been all too easy for past PC and Liberal governments at federal and provincial levels to spend in good times too. Not just for the sake of Keynes's credibility, but for its own, the new government will have to show that it can break with the good-time Champagne Charlie pattern of profligacy established by its predecessors.

A new economic theory of popular government has emerged in consequence of that profligacy, which many call small-c conservative and which has acquired the status of hallowed doctrine with the federal government and some of the provinces. The theory holds that political parties operate in a free market of competing interest groups which bargain votes at election time for program funds during the life of governments. This marketplace generates, according to the theory, an irresistible pressure upon governments to spend, in order to buy coalitions which will re-elect them.

It strikes me as a curiously fatalistic theory to call "conservative" which excises all operation of reason or principle from the working of such a supposedly free market. The theory is shallow and trivializes the society it is supposed to model. It assumes that voters are always and only perfectly rational about their limited particular interests. It also assumes that no government can ever afford just to tell the truth to its people about major problems or debate openly with them over principles of policy. If the theory were valid, there would be neither point nor hope to these hearings. The worst we can say is that the evidence is not yet in on that score for this government, for which I think many people hold great hopes.

To move on, let me suggest, in response to a remark attributed to Premier Rae some months ago, that I believe it is important to document in the annual provincial budget accounting the portion spent on investment in human and physical infrastructure.

New roads, public buildings, education and research are perhaps the most readily recognizable aspects of such investment. There may well be something of a grey area in

distinguishing between the capital cost of an upgrade and the operating cost of maintenance. For all ministries, however, it should be possible to separate out bona fide capital from operating costs and to report these clearly in the budget because if cuts are to become necessary, as Keynes proposed, it is on the capital side of the ledger that they should take temporary effect rather than on base budgets for operations.

I do not want to suggest that the human services should be exempted from cuts. It is to say, first, that when deficits must be reduced, in those areas too there are capital outlays—pools of discretionary or onetime funds—which could be targeted first.

It is also to say that the government must be very cautious about viewing contract or targeted grant programs—programs which are initiated by the government but generally for reasons of cost are contracted out to a third-party agency—as able to be cut on a par with capital costs. A great many good programs are now being provided that way, for instance, nursing homes or our local literacy program, and it would be cruel to lose what has been needed for so long.

It may be possible to reduce such contract services, but that decision should not be imposed by fiat, but taken at in concert with the local level. The case, of course, is somewhat different with grant-funded programs which result from local initiative. The local community, however, should have a say in whether these are cut.

The importance of local consultation in deciding the extent and application of funding cuts, if they are to come, cannot be overemphasized. If this is accepted as a process of value, certain implications follow. In the first place, it suggests that the government will be forthright in presenting a flexible, multi-year plan, saying what the problems are and stating its budget goals. Nobody likes cuts and the spirit of partisanship cannot be wholly absent, but then nobody says government is supposed to be easy. If it can be open, honest, consultative and fair, as Hamlet said, 'tis a consummation devoutly to be wished.

So far as human service programs are concerned, when and if there are to be funding cuts, it is imperative that an effective mechanism exist at the local level to be cutting priorities, involving local communities in great planning and co-ordination roles. It seems to me, just to comment to the side for a minute, that this has been a clarion call in all the recent policy reports I have read about human services from government, whether it is dealing with long-term care, the reports from the Premier's health council or Children First. All of them emphasize the need for local involvement in defining needs and setting priorities.

There is a need for a mechanism to make it work and seems to me the prerequisite for such a local role in rural areas such as the district of Manitoulin is to begin now to have the accounting for our human services broken down in sufficient detail to show the full capital and operating dollar content of the funding envelopes for our area, because otherwise we cannot judge how to make the decisions asked of us.

The alternative is that we will simply be told by program managers in Toronto or here in Sudbury what we are going to have or not have. While that is largely the present

lity, it is not a healthy situation. In a time of program it would be an unacceptable one.

Let me close with just one unrelated and perhaps wholly gratuitous suggestion. Last Thursday I took my wife and our five year old to catch a plane at the new terminal 3 in Toronto. There were certain last-minute expenses for parking and a hasty meal, so we cashed a well established brand of traveller's cheque for

US\$50 at the Canadian Imperial Bank of Commerce kiosk in the departure concourse. To my astonishment, the service charge for this was \$4.

It seems to me that if major chartered banks feel free to take back what was in effect 8% of that transaction, the province ought to have the right to take its 8% as well, especially since your 8% is only of the fee, not of the dollar value of the transaction. I would gladly pay Ontario an extra 32 cents for the privilege of seeing in the next budget just how much the banks have managed to collect for that and similar service charges this year, and the PST revenue therefrom would be a new and useful contribution towards paying off the deficit we all deplorably accept.

20

Mr Kwinter: I do not have a question per se. I apologize; I got in a little late in your presentation, but I was very taken with some of things you had to say. I was wondering, your proposition is that local entities should have greater control over what funds they get and how they spend them.

Mr Macdonald: We should have a share in the control.

Mr Kwinter: I think it is laudable. I think that people in local communities have the best idea of what their requirements are and should not be dictated to by bureaucrats or politicians, say, in Toronto. The major concern of course, which is what has happened over the years, is that it works well in an ideal situation where everybody is knowledgeable, everybody is responsible and everybody does what he is supposed to do. Where you have the breakdown is where you do not have those people with that ability. That of course is the problem. How do you keep some fiscal responsibility, some local control to make sure that the taxpayer's dollar is being spent not necessarily wisely, because that is a matter of opinion, but that there is some accountability?

Mr Macdonald: I do not advocate a transfer of control to our level. What I would like to see is our involvement in the control process at our level. I think you retain responsibility for service standards and for raising the funds and disbursing the funds, and all that I think is right and proper, just as there is at present, let's say dialogue on the question of what is needed and what takes priority. That kind of dialogue I think needs to be enriched and extended.

In terms of what I take to be an implication of your question—what resources are needed in a rural area like the district of Manitoulin to be able to handle that kind of responsibility—part of the answer is that an awful lot can be done by concerned volunteers because in our community, just to take the particular case, individual tenure tends to be very long term; people are there for life. We export our kids, not our adults. If people manage to stay and get a job of some kind, they tend to stay for ever. When somebody

in his 30s, say, begins to get interested in human services and gets involved, he tends to stay with things. So you get a lot of volunteer expertise growing on people and it is not really difficult to encourage that, particularly, I think, if organizations like the one I chair continue to have an involvement with established political organizations like the municipal association and so on. I do not know if I am really answering your question.

Mr B. Ward: Thank you for your presentation. I found it very informative.

Mr Macdonald: I take it you are not Margery's brother?

Ms M. Ward: No.

Mr B. Ward: No. The Wards are taking over, though. I found it very informative and I think that your presence here is very worth while. Based on your experience on Manitoulin Island—I was out there I think in May to assist in announcing a program with the native people on reserves, a certificate program so they could build houses on reserves. I was impressed with the local leadership, from people I have met.

Mr Macdonald: So am I.

Mr B. Ward: Yes. Could you, in your experience in chairing the committee you are on, briefly describe how things are on Manitoulin?

Mr Macdonald: Compared to Oka we are in heaven. Our native/non-native relationships are, I think, as good as they have ever been. Last year I was honoured to be the master of ceremonies in our Gore Bay arena for the signing of a friendship treaty between the native peoples of Manitoulin and the rest of us, which included a pledge to work together on all issues because all issues on the island affect us jointly.

We have 12,000 people—the population of Port Hope—in an area roughly the size of Prince Edward Island and in terms of resident population we are roughly one third native, mostly concentrated in the east end, but in one way or another sprinkled all over the island in five different reserve areas. I suppose there is a residue of some racism, but the relationship seems to work well on many levels.

Manitoulin bands are involved in the MMA, the municipal association. We have two native representatives who are both involved with native services on our committee. It is of course a complicating factor that funding for them tends to be federal and the funding for the non-native community tends to be provincial. We are discussing with them ways of collaborating more concretely in terms of the kind of question Mr Kwinter raised. Our municipal association has put forward, with a lot of support, the proposition that Manitoulin needs to have an autonomous planning and co-ordination body, and it is our purpose that this committee that I chair evolve, in short order, into that. We see them as involved in that. I cannot say at this time that it is clear exactly who is going to be involved, but certainly ambulances; I am a volunteer in the Gore Bay ambulance. If someone needs an ambulance, they get it.

Mr B. Murdoch: I can relate to Manitoulin Island. It is not too far from my riding.

Mr Macdonald: Where are you?

Mr B. Murdoch: Grey, Owen Sound, so we are not too far, just up the peninsula and over in the Chi-Cheemaun. It is nice to hear a non-partisan report come to us here.

Mr Macdonald: I do not know if it is non-partisan, but I tried to be objective.

Mr B. Murdoch: That is what we got and we appreciate those kinds of briefs. About the credibility, I think local municipalities probably have a lot more credibility sometimes than Queen's Park. I think you could maybe look after that better than some of the credibility we get from Queen's Park. I am talking about the bureaucracy, not maybe the politicians so much.

There is one question I want to ask you. You tried to be non-partisan. The government has predicted that it is going to be in deficit funding for the next four years. That is a concern. I do not think anybody would argue that they would not have a deficit this year—maybe not as much, some of us feel—but the problem is deficit financing for the next four years. There does not seem to be any light at the end of the tunnel. What do you say about that?

Mr Macdonald: I am not comfortable with that at all, Mr Murdoch. I am not comfortable in my own life or in the province's life with deficit funding as a way of life. I have a lot of respect for Floyd Laughren and his ability. I guess I can only say in a vaguely partisan way that I think if Floyd Laughren can find a way to trim the sails of that kind of deficit, he is going to do it. I would urge him to do it. My main concern would be that the process by which it would be achieved be this kind of process. To go back to an implication of Mr Kwinter's question, if and when cuts do come, and I expect they will have to come, we really need to have a say in what happens, and in different ways. There are going to be all kinds of complications.

There are certain kinds of programs in areas such as ours that I think are vulnerable in ways they might not be elsewhere. I do not want to make too much of that, but I am thinking of women's shelter programs in particular, which are not always as well-regarded in the country as they deserve to be. I have people complain to me that they challenge family values. In my business, I am expected to be sympathetic to that, but I fear it is going to be important to find ways of protecting certain kinds of service and certain kinds of committees. Yours and mine may both be alike in that. I think it is going to be important that the process of working on the deficit be looked at, as well as the fact of it.

Mr McLean: I have a couple of short questions. The first one, Mr Macdonald, is who invited you here today? Did you get a call? How come you are here today?

Mr Macdonald: My wife was the candidate who got within 207 votes of Mike Brown last year. She said to me: "You are involved with human services. Why not go tell them what you think?" I thought it sounded like a great idea.

Mr McLean: So you are here in a partisan way, then?

Mr Macdonald: I am a partisan here, but I do not think I am here in a partisan way.

Mr McLean: The second question is short and simple. It is about the Manitoulin Health and Social Services Advi-

sory Committee. What is their priority at this time? What is their greatest need?

Mr Macdonald: To get control over our own affairs and to improve our capacity to do planning and co-ordinating instead of what the description says, to simply discuss issues. We are not capable of taking that kind of role yet.

The Chair: Thank you for your report to the committee and for attending.

Mr Macdonald: Boy, this is worse than preaching will tell you. I have half a dozen extra copies of this. Even though it took until 4 am, I had fun. Thank you.

1330

CITY OF ELLIOT LAKE

The Chair: Next will be the city of Elliot Lake council. Wilma Sanderson, alderman. Welcome to the committee and the budget hearings. You can start proceeding when we are handing out the briefs, so it gives you enough time to get questions and answers in at the end.

Mrs Sanderson: Attached to the proposal I have today is quite a lengthy summary of information that I believe will be summed up in our proposal. It shows the things the community has been through in the past year and how devastating their impact has been. It also shows what we are trying to achieve, given the devastating situation we are in. I will try to summarize and highlight the facts.

You are fully aware by this time that the Elliot Lake miners have suffered over 2,000 layoffs, and the elimination as well of 6,210 jobs in the area. This has created economic and social strain on the community, both on individuals and the infrastructure. Assistance has had to be provided for these workers to allow them to adjust to the new economic reality and to continue on with their lives.

On April 2, 1991, the Minister of Northern Development, the Honourable Shelley Martel, and the Minister of Natural Resources, the Honourable Bud Wildman, set up a working group in the area with the express mandate of providing an opportunity for consultation with the province to ensure area representation in identifying viable plans to help ameliorate the impact of uranium mine downsizing. The working group developed recommendations on critical issues in the following areas: adjustment measures, temporary job creation of an economic transition period, social assistance, and economic diversification projects. Proposals for projects were identified that totalled \$592 million.

Last fall, the first layoffs occurred: 1,600 jobs in Ram Jam. From that first impact, only about 600 miners are left here. This spring, Denison Mines announced further layoffs of 400 workers, as well as 13 weeks of temporary shutdown for its entire workforce. The company experienced an economic setback and will eliminate 700 more mining jobs and an estimated 560 support jobs by 1992. In April 1992, the mine will close. The working group notes that to date 3,450 mining jobs have been or will be eliminated. This decline would result in additional job loss of 2,760 in the service and support sector. Some \$280 million of economic activity will be lost in that area.

All of the above dramatic reduction in both the mining and manpower is due to the cancelling of contracts to

ario Hydro. Its major purchases are being made in Saskatchewan. We tried to pressure the government to have Hydro buy 100% of its uranium from Elliot Lake, but to no avail. We have been trying to develop something else that could boost up this community, with long-term stabilization for future development in the diversification of our local economy.

The city of Elliot Lake was born of the uranium industry. Nearly 40 years ago, in the early 1950s, rich uranium ore deposits were discovered in Elliot Lake. We first incorporated as an improvement district in 1955, as a township in 1956, as a town in 1976, and as a city in 1991. In 1966, the federal government committed to a five-year stabilization program for Elliot Lake. We grew from there, increasing housing by 3,266. New sewage plant costs were \$30 million, expansion to the hospital was \$6 million, and the additional five schools and college campus costs were \$6,600,000. The total of \$300 million in capital investment made over 15 years is now at risk.

The provincial budget, while running a considerable deficit, must focus on assistance to northern Ontario communities, particularly single-resource communities such as Elliot Lake. The current economic situation in the country makes it extremely difficult for those communities to diversify their economies and attract business. In many instances, they lack needed resources to make attractive offerings to commercial and industrial initiatives. These include adequate infrastructure to support expansion, a trained labour pool to draw from and transportation links to the local markets. To offset this, the government must look at ways and means to expand the economy in the north. This could be done through moving training, institutional and service sectors to communities such as Elliot Lake and supporting them.

By moving such institutions to the north and supporting them, the needed mass can be generated to assist in the diversification of the economy. Sudbury is a prime example of this process, with growth continuing after the placing of a number of significant government initiatives in the city to act as a catalyst. Similar benefits can be reaped with the placement of the French college in Elliot Lake, the Ontario College of Art's northern campus being established there, and the continuation of the initiative to place an MTO training centre in Elliot Lake. These institutions will provide employment and economic activity upon which other initiatives can proceed.

With budget deficits being incurred, there is a necessity to create a base for sustained activity which will contribute to the repayment of this deficit. The budget, when addressing these types of development, will have a definite benefit for the north, including Elliot Lake. Cabinet, in concert with Ontario Hydro, has provided a vehicle in the \$65-million package to Elliot Lake, which came from Ontario Hydro. The package was for Elliot Lake and the north more to start the needed activities to build a diversified economy. The \$9.8 million of work projects which come out of the \$65-million package from Hydro will ensure a labour pool over the next two years, a business development fund to assist with entrepreneurial business initiative in the area, and social and infrastructure assistance will

assist the municipalities with their budgets over the next few years to be able to maintain essential services without significant tax increases.

Just to give you a brief notation to date of what is happening to Elliot Lake, there are now 13,500 in our population. How come we still have that? We had 16,500 two years ago. Right now, with retirement living there, some of the seniors who are moving into the area are kind of offsetting some of the miners who are moving out with their families. Of the miners who were laid off, there are 600 adults taking upgrading programs. We have over 150 miners who are taking literacy programs. We have over 100 miners who are taking courses in skills and trades. They have set up two mining adjustment committees and one community adjustment committee. What they do is help with the stress and help the miners and people who are laid off in that area to adjust to how to go about getting jobs.

In Elliot Lake, there are at least 250 residents and business people who have pooled together as volunteers to help to diversify the city, to stabilize it. With this \$9.8 million, we will start September 1—due to the fact of their layoffs at the mines, there will be people who have now exhausted their UI. We will be putting them into jobs to give them a 20-week workplace so they can get back on unemployment. We are trying to stabilize them for two years in order to re-establish them in the workforce.

In closing, the government, through its budget, must continue to take positive steps to assist those municipalities in northern Ontario to diversify and develop a strong economy not reliant on a single industry and resource. Most important, the programs must create a sense of self-reliance in the community to ensure a future for its residents.

1340

Mr Sutherland: Mrs Sanderson, thank you very much for coming forward today. I know it must be a very challenging time to be a member of city council in Elliot Lake in terms of the serious issues you have had to address. Seen from my perspective anyway, as we were in Sault Ste Marie yesterday and dealing with Algoma Steel, and we heard this morning that the Kapuskasing issue is hopefully going to be resolved, there seems to be a sense of real community coming together in all these situations to find some solutions. Hopefully we as the government are being part of the solution in terms of trying to help find new ways and diversify.

I wanted to ask you a couple of things. I have seen a bit of stuff in the paper about the French college. Has a decision been made about that yet?

Mrs Sanderson: No. Tom Lankin is in Elliot Lake today having a meeting with the committee in that area. No decision has been made.

Mr Sutherland: Okay, no decision on that.

Could you give us a little more sense of what the impact has been in the community of Elliot Lake in terms of the individual impact on people, a sense of how that has affected decision-making on council's part, and maybe some impact in terms of, had there been no increase to any of the social services agencies, what would the result be in Elliot Lake right now?

Mrs Sanderson: The social impact has been devastating. We have had several teenagers who have taken their own lives because of the stress in the family. We have had a lot of families separating. We have had a lot of women going through our crisis centre, just to give you an idea of the social impact of this. In social services, the increase has gone up considerably. It has gone up dramatically in the social area due to the fact that some of the miners who were laid off had pulled out their severance pay. Some of them had tried to pay off their bills in order not to have to worry about that area.

When Rio Algom laid off 1,600 last fall, social services did not have in place an area where they were given two weeks' funds—it takes six weeks after they have applied for it before miners can get some kind of welfare cheque in order to help them. When the Rio Algom group was laid off, that was not put in place. When the Denison layoff took place, for the first two weeks they gave them some funds to help them through the six-week stress. That helped a little bit. But the welfare roll increase is dramatically high. That is why we are hoping that this job creation we are instituting will put them to work and alleviate their putting more impact on the welfare area.

Mr Sutherland: Earlier this morning, we had Derek Wilkinson from the department of sociology here at Laurentian. He indicated that he had been doing some analysis and research on the people who were laid off and that there was a great need for skills training in Elliot Lake in terms of basic literacy, upgrading grade 12, and then a little more beyond that. I was wondering if you could give us your sense of what type of skills training programs are needed in Elliot Lake.

Mrs Sanderson: There are some programs. Just to give you an idea, there have been two classes of 13—there were 26 miners who took up driving these tandem trucks. I do not recall; I think it is industrial tandem truck driving licences. Upon completing those courses, none of those guys were able to get jobs. If there was an incentive for the employers, or possibly a loan for these guys to get a truck to get into the workplace, it would help. There is nothing in place. That means it was a waste of time for these men to go after it, because they have no previous experience driving a truck and they cannot get on any of the jobs.

In the other skilled jobs, we have about 100 miners who have gone out to—I believe there are quite a few here in Sudbury who are taking masonry or other areas and trying to get their licences. When they were working for the mines, their existing job did not qualify them for certificates, so now they are trying to get their certificates through the school and through the universities and colleges.

Other than that, I think the miners were quite glad, due to the fact that they are on UIC at this time and were able to take the upgrading. Some of them did not have any higher than a grade 7 level. We were devastated to find out there were over 150 illiterate miners, who were quite happy to go to school. They were glad to take that.

Mr Sutherland: Let me just make a comment. I wish you all the luck and hope that the community continues to come together to find solutions. I think we are seeing that

if it is successful, the community usually ends up being stronger for it. You alluded to Sudbury and we certainly have been made well aware of what a success story has occurred here in Sudbury with its diversification, and we are all hoping and pulling that the same thing will happen in Elliot Lake.

Mr McLean: To build a diversified economy, what type of industry are you envisioning should take place?

Mrs Sanderson: At this time there are several industrial businesses I have been trying to get established there. What is happening is, a lot of them do not have the matching assets or the money to pool together to match the grant they are applying for. There are five proposals on cogenerational plants that are in place at this time. It is supposed to give up to 500 jobs in that area, but it is down the line; it is two to three years down the line. Any of the existing businesses that are going to establish themselves there, it is still going to take some time before they are established, so we are trying to diversify for the next two, three years.

On the other hand, we are trying to enhance, through some of these grants we have received, and we are fortunate to have been able to have them, to diversify the tourism and enhance Elliot Lake to attract tourists. We have been doing that, so that is taking place. That has had some job creation to help in that area. So we are trying to work towards tourism attraction, as well as establish some cogenerational plants and some industrial plants. We have had a few proposals in, but it has not flourished as yet. It is just in the works.

Mr McLean: As an alderman, is there a great amount of taxes not being paid and business taxes that are not being paid? Are there write-offs taking place? It would have a devastating effect on a lot of those businesses.

Mrs Sanderson: We would have had to raise the taxes 30% had the government not cleared our debt at the time due to the fact that the mines are pulling out. That would have meant a devastating problem for Elliot Lake on the tax base. We would not have known where to go for the money, the funds to pool for paying the taxes. The retirement is helping some, because they are purchasing 1,700 units from the mines. We will be able to get the taxes from that. But if the government had not come through to pay off our debt, with Elliot Lake and Blith River, I do not know where we would be. We would have had to charge a 30% increase in taxes and that would have been devastating for the residents of Elliot Lake.

Mr McLean: I am disappointed, Mr Chairman. There must be another meeting going on. Most of the afternoon there have been two NDP members here and I am sorry that there are not more here to listen to what this lady from Elliot Lake has to say on what the problems are.

The Chair: Mr McLean, I think there are some interesting views going on out there. I believe the briefs have been handed out, and we will be getting Hansard after, if they are unable to be here. We have asked the questions already from the government side, in that there are two from each party here, and three.

Mr Christopherson: On a point of privilege, Mr Chair: I think it is also maybe important. We did not announce it, because it was not an announceable item, but v

at the lunch hour meeting with the regional chairman, municipal officials and representatives from the Sudbury development corporation to talk to them about some of the problems they are having in Sudbury. Unfortunately, the meeting went a little longer than expected. There were no local media that wanted to know what was discussed and that has held up a few people.

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Mr McLean: Why were they not brought before the committee so they could express their concerns here themselves?

Mr Phillips: Just on the point of privilege about that, committee met with the mayors?

Mr Christopherson: No, it was an informal meeting myself as parliamentary assistant to the Treasurer, and as parliamentary assistant to the Minister of Industry, Trade and Technology. It was strictly that while we are here, we are trying to make use of being available to talk to local representatives. We did the same thing in Sault Ste Marie and attempted to do it in Thunder Bay.

Mr Phillips: Why would they not have come here to talk to us?

Mr Christopherson: It was a different process entirely.

The Chair: It was not to do with the budget.

Mr Christopherson: It is not related to the budget per se. It is related to economic conditions. It just does not seem right to have members of the government here and then not meet with local officials if they would like to dialogue with us, since most of the parliamentary assistants do have the ear of their minister. That is where we have been. I just do not want to leave the impression that it is somebody off on personal time.

Mr B. Murdoch: I just have a question on how the welfare is up and everything like that, and you being on council, I just wanted your remarks on the Hopcroft report, where the municipalities would like to see the government take 100% of the welfare costs.

Mrs Sanderson: That has been a proposal that was made through the municipalities and the townships. They have already, I think, gone through with that.

Mr B. Murdoch: No, it has not been decided yet. I think the government is still looking at that report. I just wanted to know how you felt about it, just for my own knowledge, you or the council; you can speak for it. Do you think it is a good idea for the province to take it over or not?

Mrs Sanderson: I think there is a shared cost that could be implemented, a percentage of shared cost. I think the majority of us would like to see the government take 100% of the social services cost, because it is a very heavy tax burden on the taxpayers at this time.

Mr B. Murdoch: I think the reason for the municipalities wanting that is that there are a lot of mandatory programs sometimes, mandated out of Queen's Park, that maybe some local municipalities just do not feel are needed. I just wanted to know what your opinion was, and that is fine.

Mr Kwinter: Wilma—I hope you do not mind me calling you Wilma.

Mrs Sanderson: That is fine.

Mr Kwinter: I have a preference for the name; it is my wife's name.

Mrs Sanderson: It is not very popular.

Mr Kwinter: I used to be the vice-president of the Ontario College of Art, and I noticed that as part of your recommendation you suggest the establishment of a northern campus. Is that something that is being pursued? Is that something that has been suggested? Where did that come from?

Mrs Sanderson: Due to the fact that we can provide such a good service up there reasonably, and because the province had said that it needed to—you are talking about the college of arts, are you not?

Mr Kwinter: Yes.

Mrs Sanderson: At one time the centre of community education used to have programs and people from all over the provinces used to come to Elliot Lake for continuing education through the centre. We never had an establishment of an existing building or place where we could have all these artists who used to come into Elliot Lake, so it has been brewing for many years that we would really like to accommodate all these artists to come into Elliot Lake. We have beautiful scenery and we now have all kinds of infrastructure, buildings and accommodation that is quite reasonable, that could really enhance that area.

Mr Kwinter: Has the college shown any interest in it? Are they involved at all in discussions?

Mrs Sanderson: Oh, yes. They have made many proposals. They have a building in place and the plan is all engineered and everything to have it built up there.

Mrs Sullivan: I would like to know further about the success of your retirement living programs that were initiated in Elliot Lake a couple of years ago. My understanding just recently was that while the infrastructure was there, the recreational services, the social services and so on, to provide for the retirement community summer and winter, one of the things that was becoming a problem was that many of the people who were moving there to retire were moving out of the community in the winter months, either to go south or whatever, and as a consequence there was an extra burden on some of the facilities that had been put into place. Is that a correct report?

Mrs Sanderson: I do not know. What do you mean, an extra burden? Can you elaborate on that?

Mrs Sullivan: In terms of staffing, in terms of ongoing operating and indeed capital costs to provide for a community which is shrunk during the winter season.

Mrs Sanderson: No, I do not believe you received the right information. We do have a small percentage, maybe 10% of our seniors, who go down south where they have homes in Florida and that area, but we have a lot of programs in place. In fact, they hired a co-ordinator who works out of Huron Lodge who handles all these programs. You

would not believe the programs we have up there for the seniors. They are quite happy.

Mrs Sullivan: I knew there were a lot of them. I have visited them and seen them. But I understood that there was some pressure on the municipality in that the uptake in the winter months was not strong enough really to maintain the operating costs.

Mrs Sanderson: Maybe what you have heard is that at the time they established retirement living, it was a project that was instituted through Claire Dimock, who was the co-ordinator of the program. She worked for Denison Mines, and people were coming into Elliot Lake and buying homes and renting homes, and did not have any snow removal or accessibility to have anything done in that area. Denison Mines was burdened with having to give that service. Now it is falling on to the retirement living and there is money there for that this year. There is no problem there; that has all been straightened out.

MARCEL ROY

The Chair: We will call on Mr Marcel Roy. Would you please come forward? You will have 15 minutes for your presentation totally, and within that 15 minutes try to save some time at the end in which the three parties can ask questions on your presentation. Welcome to the standing committee on finance and economic affairs on the budget review.

Mr M. Roy: Thank you. I was originally told I might have a half an hour, so I will try to keep it short.

Again, my name is Marcel Roy, and good afternoon. I am representing mostly social services, because I work as a social worker for Service familial de Sudbury, Sudbury Family Service, and I am also a member of the United Steelworkers, holding the position of recording secretary for Local 7282. I am also involved with non-profit housing. I preside over a housing corporation known as Habitat Boreal and sit as a board of director on yet another corporation known as the Bud Germa project.

I also would like to sincerely thank this government for the approach it has taken towards the people of the province regarding budgetary matters. I think the Ontario government should be commended for going to the extent that it has in trying to ensure that all people of the province are taken into consideration by allowing them to speak and voice their opinion on such important matters that affect us all. Again, since much of my experience and background is in social services and housing, I will be addressing the committee in regard to the impact the budget will have on these matters.

I think it is important that the budget be regarded not simply as another provincial budget, but rather as the first budget of a type of government which has never before reigned in Ontario, a government of change, for it was change which the people of Ontario sought back in September 1990. This first budget of the New Democratic government of Ontario reflects change from the traditional Conservative and Liberal party politics.

Equally as important is the economic climate in which this budget was released, for any government's true test of

worthiness and valour is not during good times but during hard times, and we have fallen on hard times.

We know that during hard times many problems surface. During economic hard times we can expect problems such as high unemployment rates, high inflation, devaluation of the dollar, large deficits, government cutbacks, all of which have direct impact on other less seemingly related problems such as a lack of affordable housing, marital conflict, spousal abuse, chronic depression, child abuse, sexual assault, drug abuse, and the list could easily go on.

1400

At any time there is always a certain ratio of the population which is in need of government services, but during hard times that ratio is augmented, sometimes greatly. If the government chooses to ignore the increase in those people in need of service by not properly servicing those people, then that government becomes responsible. This new government chose to serve the people in need rather than to ignore them and therefore this government acted responsibly. No doubt, in order to serve its people properly, this government will have to do so at a cost and that cost is one which the people of Ontario will carry for some time.

The present deficit is large and its projected growth is even larger, but most of the deficit is not attributed to poor management on the part of the New Democrats since they have not been in power that long. Some of the deficit, however, can be attributed to this present government as it will borrow money from the future to pay for today's bills. That is usually what we do when we borrow money, such as for a house which will meet our family's needs today and we indebt ourselves for 25 or 30 years in the future. If we choose not to borrow against the future we cannot adequately meet the needs of today. Today we are in recession and the need is great.

Looking more specifically now at how this government plans to meet the needs of its people, the Honourable Floyd Laughtren, Treasurer of Ontario, has indicated in his budget that the government has committed \$215 million on a four-year basis towards social assistance reform. This is a major commitment of government capital towards those hardest hit by the current hard times.

I remember the Transitions report, released back in 1988 by the Social Assistance Review Committee, which clearly indicated that in order to properly serve those on social assistance major reform would have to take place, and we were not even in a recession at that time. However, the Liberal government at the time heeded the advice of SARC and some changes to the system began in 1989. But it seems that even those changes were too little, too late since yet another independent working group, known as the advisory group on new social assistance legislation, whose mandate was to report to the Ministry of Community and Social Services, had also clearly stated in its report, entitled Back on Track, that the momentum for reform had been lost since those initial changes began in 1989.

Part of the proposed reforms of the social assistance system will incorporate a plan to reintegrate some of the non-working social assistance recipients back into the workforce. This plan will provide those individuals who can work with the incentive to work, and in turn increase

self-esteem and their societal self-worth. As a social worker, I know how worthless and trapped people feel by the negative stigma attached to being a welfare recipient. The stress of this prevailing attitude is enough to cause people to experience depression to the point where they are hospitalized and need therapy.

Municipalities will also benefit from this plan, as existing services will be increased somewhat in order to help them deal with the increase in demands for services which they are responsible for. This is good news for municipalities because it will help alleviate the numerous problems certain municipalities face due to the spinoff effects of the recession. In these days of transfer payment cutbacks, municipalities can rest assured that help will be there for them.

This government has taken the initiative to put back on track those necessary changes which were due and to show it is committed to reform. Two hundred and fifteen million dollars may not rectify all of the problems which our social assistance system may encounter. However, given the fact that this is the first budget of this new government, I think we can safely say that reform is forthcoming. I therefore endorse the government's stance towards social assistance reform.

Another major point of concern for me, which this budget addresses, is the need for more and better service delivery for women who are victims of violence. This point is of major concern for me since I work as a therapist in a batterers' treatment program. I know and understand the dynamics of spousal abuse and the power and control tactics utilized by men to keep their female partners submissive to them. This is a social problem of great magnitude because it is often handed down from generation to generation and upheld by societal beliefs and attitudes. We need only to look at our sports, our entertainment forms and even our cultural beliefs to see how violence is sanctioned by our society. Violence against women is difficult to eradicate if our society accepts even implicitly any form of violence.

I do not expect the government to change societal beliefs and values. However, if the government shows its support towards combating this most vile injustice towards women by committing itself to more financial aid to all the components involved in the prevention of violence against women, then it is conveying a most important message to the people. That message is that violence against women is not acceptable and that something can and will be done. Indeed, something has been done about it. A commitment of an additional \$12 million for more beds and staff for emergency shelters as well as for counselling and prevention and treatment programs, such as the one I work in, is an integral part of the necessary changes long overdue in preventing violence against women.

Sexual assault is also on the agenda for this government, as there is a commitment of more than \$8 million towards servicing those women and children who are sexually victimized, not only for those in large urban areas but also for people in rural areas, and immigrants and racial minorities as well. For anyone aware of the staggering statistics of women and children who are sexually abused in Ontario—I believe in 1989 the figure was over 10,000—\$8 million may not seem like much. But for a

first budget, from a new government, I think it is a step in the right direction and I for one welcome it wholeheartedly.

As a social worker having worked—to some extent I still do—on Manitoulin Island, I cannot overlook the budget's impact on aboriginal people, for I have personally witnessed the impoverished conditions of natives living on reserves without such basic amenities as clean water, sewage systems and proper shelter. If I had not seen it with my own eyes, I would not have believed that people in my province were living that way. I was not surprised to find that these people were not living this way out of personal choice, but rather out of necessity. For this reason, I commend and approve the government's commitment of more than \$48 million towards improving the quality of life, which is so desperately needed for the aboriginal people of Ontario.

Looking at housing now, my own commitment towards housing in this community speaks for itself. I marched on the streets of Sudbury in the cold, wet fall of 1983 one year after being laid off from the Falconbridge nickel mines when people, through no fault of their own, lost their homes because they too had lost their jobs. There were 1,000 laid off at Falconbridge and 2,000 at Inco. These were for the most part young families that had borrowed against their future to provide for today, only for them there was not much future, only unemployment and welfare lines. Some left the city in the hope of securing a future. Others stayed and tried desperately to make the best of it.

For over 15 years, Sudbury has had a very low vacancy rate for people wanting to rent decent, affordable housing. In 1983 it was even worse. It was for that reason that I began to advocate on behalf of those without shelter. I joined an organization called the United Tenants, and we lobbied all three levels of government in order to gain their attention to the problem. In 1984 a proposal was submitted to both the province and the federal government in order that a private, non-profit housing corporation could be established to take over some of the houses which had gone into receivership. Anyhow, our lobbying efforts managed to secure some 35 houses in the Sudbury region in order to help some of those who had lost their homes.

Today I still work towards bridging the inequalities in housing which still exist in this community, and many others have also followed. Affordable housing is a key issue for any family, and that is why I am pleased to hear that the Ontario government has decided not only to go forward with the development of 35,000 units, but also to provide yet another 10,000 units. I know, through firsthand experience, how vital these housing units are to the people of Ontario and what it means for a family to secure a decent place to live at a cost it can afford, for shelter is one of our basic, yet highly valued needs. Without appropriate shelter, people are often forced in overcrowded conditions, perhaps without proper amenities such as hot and cold water or sewage. Very often they pay more than 50% of their net income on rent, so little is left for other important needs such as food and clothing. Again, here, as with many other social problems, women and children are the biggest victims.

Overall, I found this budget to be very supportive towards bridging the many social inequalities which exist in

our society: housing, social assistance reform, aboriginal issues and violence against women.

These are all issues which reflect the kind of society we live in. Any government which cares deeply about its citizens must be able to convey that it cares about them by enriching their lives and making great attempts to alleviate those plights which its people face on a daily basis. The level of concern and commitment displayed by the New Democratic government of Ontario through its first budget is, in my experience, unprecedented. What remains to be seen is how effective the actual implementation of this budget will be. That is an equation which can only be measured over time.

It has been less than one year since the government took over the reins of power, and we have seen some great changes. I am certain the next three years will bring even more changes which will benefit the people of Ontario and hopefully provide a secure standard of living for all.

1410

Mr B. Ward: In your experience in the housing movement and the social aspect, could you briefly describe your feelings on how the recession has impacted the people of this area.

Mr M. Roy: I do not think the recession has impacted on the community in Sudbury as it has on others. However, Sudbury has always had a housing problem, so that problem is still there from 15 to 20 years ago. It is still here, although a lot of small organizations have banded together and lobbied the governments to try to get more equitable service in the housing field.

Mr McLean: What is the Bud Germa project?

Mr M. Roy: This is a new project which has just started. We are proposing a 60-unit apartment building in the downtown area, specifically for elders.

Mr Phillips: A year ago the unemployment rate in Ontario was 5%, I think it is about 10% now and next year it is predicted to be at 10%. The Agenda for People was the big document in the campaign. Is 10% unemployment in the future acceptable in terms of your own thinking of the budget, and are you pleased with the progress that has been made so far in implementing the Agenda for People?

Mr M. Roy: I think unemployment is a factor that is related to the economy and especially in the private sector in terms of how well things are going. I do not think the government can put everybody back to work. However, if there are good social services, programs, to catch those who are unemployed, then I think that is what is needed.

UNITED STEELWORKERS OF AMERICA,
LOCAL 6500

The Chair: Would the United Steelworkers of America please come forward.

Mr Campbell: I notice your agenda refers to a Bernie Young, who took the message on our vacation shutdown. I am Dave Campbell, the president.

The Chair: That is why I did not mention a name. A lot of the presenters are not the ones on the list here. Would you just introduce yourself for Hansard.

Mr Campbell: My name is David Campbell. I am president of Local 6500 of the United Steelworkers of America here in Sudbury.

The Chair: Sir, I welcome you here. You have half hour for your presentation. Try to keep some time at the end for questions and answers from the three parties. It will be divided equally.

Mr Campbell: First of all, on page 3 of the document I presented, there is an error that I corrected this morning. Two thirds of the way down it says, "You know and I both know"; that should be "You and I both know." When I got to that I will just skip by it. I did not have time to correct some of the grammatical errors in this document and hope you will bear with me while we go through it.

We represent over 6,000 workers, about 6,137 to be exact, who are employed at Inco. I guess I could also throw in that we just certified approximately 800 of the office and tech workers, who could be added to those numbers. On behalf of the membership of Local 6500, I wish to express my appreciation for your coming to Sudbury and affording us the opportunity to make this presentation. What I am going through in the first seven pages was prepared through me, our national office research department and so forth, at the end of which I would like to make some comments as a person born in the Sudbury area who has lived in Sudbury all his life.

First of all, I will share with the committee some of the statistics provided to us by the research department. I have to assume these statistics are accurate because I am not an academic and I did not put them together. I can only assume the information gathered is accurately reflected, so if you challenge it, do not challenge me; talk about a politician.

These graphs show the population in 1984 in northern Ontario to be some 429,000 people, as compared to 1991 with 425,000, showing an almost 1% reduction change. Compare that to Ontario's total of 6,887,000, compared to 7,670,000 in 1991, for an increase of 11.4%.

We drop down to the next stat, which talks about employment. You can easily see where northern Ontario does not follow the flow of Ontario as a whole. The growth in Ontario reflected in these stats reflects more southern and central Ontario, whereas northern Ontario has been somewhat left out.

On page 2, the stats are taken, as we see, from the Labour Force Survey conducted by Statistics Canada, and they compare basic trends in northern Ontario with the same trends in the province as a whole. That is something that concerns us greatly as northern Ontario dwellers. Those fighting for secondary industry, etc, found this something ongoing. Take it back as far as stats have been kept and there has never been a high point where northern Ontario has done exceedingly better than southern Ontario.

Three points are made by these statistics that underline the gravity of the economic situation in northern Ontario. First of all, between 1984 and 1991, the population of Ontario increased by 11.4% and the population of northern Ontario fell during this same period by slightly less than 1%. Later, towards the end, I am going to talk about your

ple leaving the north. That stat reflects how dramatic it is and causes that stat to come forward.

Second, during the same period the number of jobs in Ontario as a whole increased by 10.1%; in northern Ontario the number of jobs increased by only 1.4%. In short, northern Ontario did not get anything like its share of the recovery and the expansion that occurred in the rest of Ontario. Perhaps to compensate for this inequity we will, however, get more than our share of the current recession. We are going to talk about the recession, and we are going to do a bit on Sudbury and its claim to be recession-proof. We will get to that later in my presentation.

Third, the percentage of employed persons to total population is significantly lower in northern Ontario than in the province as a whole. This means the market for real businesses is smaller in relation to the population than it is in the rest of the province. It also means that the demands on the public sector are growing faster than the regional tax base. We keep hearing about the cutting of federal funds to the provinces, and from the provinces to the municipalities. If we are going to maintain the growth in the public sector, where are the funds are going to come from this? Hence, we must get into the private sector and encourage secondary industry.

The message of these statistics is simple. The economy in northern Ontario is in trouble and it is getting worse, not better.

As a Steelworker at Inco, I know the resource industries have achieved and will continue to achieve significant gains in productivity. As a steelworker, I also know that these productivity gains are essential to the future competitiveness of our resource industries. But as a Steelworker and a long-time resident of Sudbury—from birth—I also know that jobs being lost through productivity gains in the resource sector are not being replaced elsewhere in the northern economy.

It is interesting to note that approximately a year and a half ago I attended a world mining conference as a Canadian labour delegate, with 22 other countries, in which one of the two topics covered was technological change in the workplace. It was evident at that time that Canadians, Americans, Australians and Britons knew that technology was important, so that we would not end up like the steel industry in the United States, that it would be better to have a percentage of the people working with technology and profitability than everyone laid off if you are not able to produce cheaply on the world market. That was the end of the two-week convention in Geneva, so it is not something new. It is something out there that all levels of government are going to have to address. It is here now and it is going to get much worse in the decades to come.

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Quite simply, the private sector employment base of the northern Ontario economy is being eroded. Here is where I get to my mistake. It should read, you and I both know that neither the province nor the federal government can move enough public sector jobs into northern Ontario to compensate for the erosion of employment in the private sector. That is not to say we are not appreciative of the Ministry of Northern Development and Mines and the taxation

data centres and all of those things. It is imperative that they should be diversified through the province, but that cannot do it on its own.

You and I both know that without diversification in northern Ontario, the economy will have a succession of crises in single-industry, resource-based towns. Kapuskasing and Elliot Lake are only the beginning. You and I also know that without a strategy for economic diversification, there will be many more Kapuskasings and Elliot Lakes.

Speaking on behalf of all Steelworkers, we look forward to working with the government on developing an economic diversification for northern Ontario. We are currently investigating the establishment of a labour-sponsored investment fund to create more manufacturing jobs in northern Ontario. But Steelworkers are under no illusions. An economic diversification strategy is not something that can be done by unions alone. What is required is a new partnership involving government, communities, business and labour.

The members of Local 6500 acknowledge and appreciate the steps that have been taken thus far in the early months of the new government's mandate. The government has allocated 30% of its anti-recession spending to northern Ontario. The government eliminated the motor vehicle registration fee for people living in northern Ontario. The government is committed to a federal-provincial agreement on minerals development and research and development in the resource sector.

Members of the committee, the measures announced in the Treasurer's last budget were a welcome signal of the government's intentions and its goodwill. The next budget, however, must take major steps towards putting in place a serious strategy for economic diversification. Last year's budget spelled out in budget paper E the vision the government is endeavouring to frame for economic renewal in this province. It is a vision which is centred on building up the human resources of this province. Steelworkers in northern Ontario applaud that vision. We welcome enthusiastically the government's call for new partnership and extend wholeheartedly our co-operation in forging those new partnerships. Steelworkers in northern Ontario want to urge the Treasurer in his next budget statement to set out the diversification strategy the government envisions for northern Ontario.

Like most unionized workers, the members of Local 6500 have negotiated a pension plan with our employer. We have fought strikes—often very long strikes—to build into the plan the kind of basic benefits managers and professionals take for granted. But like most workers in this province with employment pension plans, we have no say in the management of that plan. I say that candidly because I do sit with the company once every six months and go over the investments and the experience of Inco's pension plan. I am in no way going to reflect that they have not done a good job, because if each company in Canada had administered its plan like Inco does we would not have the mess in places like Algoma Steel and so forth. We are allowed to watch, make comment, but we have virtually no say in the administration.

I cannot convey to you the anger and the frustration our members feel when they see our savings sent out of

the country to create jobs abroad when northern Ontario's economy so desperately requires capital to finance its diversification. We all know the federal budget. We are going to let some more pension moneys trickle out of Canada, and we think that is ludicrous.

Like every other local of the United Steelworkers, Local 6500 belongs to the Ontario Federation of Labour. In an important statement on pension policy adopted at its 1988 convention, the OFL said: "The export of our savings is the export of our future. There can be no restructuring of the economy of this province which does not include a role for pension funds." The members of Local 6500 agreed with the statement in 1988. We agree with it today. We think it is high time pension funds played a role in developing the economy of this province in securing the future of its people.

The pension fund managers clearly have different priorities. They have successfully lobbied the federal government to permit pension funds to increase the proportion of their assets they invest outside of Canada. As a result of the vigorous lobby undertaken by the pension managers, a ceiling on capital exports will rise from 10% to 20%. What this means for the people of northern Ontario is that without deliberate action to change the management of pension funds, our future will be exported along with our resources. Pension funds are supposed to be a trust. Some trust.

Simply put, we think those moneys could be invested at an equal or a better return in the north to encourage secondary industry, rather than just having the public sector and those industries that are already here. It is money made and earned in Northern Ontario which should be reinvested, or at least a portion of it, putting back into the ground that you took it out of.

Pension fund management and economic diversification in northern Ontario are inextricably linked. It is pointless to discuss economic development and diversification while allowing private pension managers to increase the export of workers' savings. We deem that when we negotiate a pension fund, the dollar value charged against our collective package is in fact a dollar we did not take in our paycheque to be placed into the pension fund. Therefore, we should have more say on what we have negotiated. This would be one way to do it.

We urge the government to move expediently to give pension plan members at least an equal say with employers in the management of our pension funds. Having done that, we urge the Treasurer in his next budget statement to spell out how he envisions empowering the ordinary working people of this province to enter into a partnership with their government to use pension capital to pull this province up by its own bootstraps. Self-reliance begins with empowerment.

The last budget described the government's commitment to develop the human resources of this province. The failure of the private sector to invest in training and new workforce skills is well documented. The Canadian private sector is significantly outspent and out-invested on training and skills development by virtually every other economy in the Organization for Economic Co-operation and Development, including even the United States. Workers bear the

costs of this underinvestment in training and new skills. We pay the costs when we lose our jobs and must seek new employment.

You may be aware of a study by Statistics Canada on the experience of the one million workers who lost their jobs between 1981 and 1984, during the last recession. That study set out two important findings. First, after two years, only 57% of the laid-off workers had found permanent, full-time re-employment. Second, of those who found re-employment, 45% experienced a wage loss. The average wage reduction among the 45% who suffered a wage loss was 28%.

That is the way workers pay the price for the private sector's chronic underinvestment in training and new skills. Businesses underinvest in training and new skills but it is we who lose our jobs because of their underinvestment. When we lose our jobs, almost half of us will not find permanent re-employment. When we do find re-employment, almost half of us suffer a wage reduction averaging 28%. That is the future that chronic underinvestment in training and new skills holds out for us. That is the future the continued erosion of private sector employment makes likely for an increasing number of working people in northern Ontario.

Steelworkers in northern Ontario are looking to the government to get a firm grip on the problems of chronic underinvestment by the private sector in training and new skills. The last budget statement stressed the importance of human resource development to our competitiveness and economic wellbeing. The government indicated that it was soon to be in a position to announce the structure it envisioned for an Ontario training and adjustment board. We want to stress to the government and to the Treasurer that a training policy is only going to work if it addresses the funding question. Structured without funding, it will be of limited value. The question is not whether the private sector can afford to invest in training and new skills; the question is whether it can afford not to and whether we can afford to let it repeat its past mistakes. We urge the Treasurer to include in his next budget a statement of what measures the government will take if the private sector does not voluntarily increase the investment in training and new skills.

1430

In his last budget, the Treasurer courageously rejected the policy of intensifying the recession through public sector retrenchment. Steelworkers applaud this courage. We fail to see how the right-wing strategy of laying off public sector workers, cutting back on health care and reducing social assistance would have got this province out of a recession. In his last budget, the Treasurer showed his willingness to lead. Steelworkers in northern Ontario look forward to being able to continue supporting the Treasurer and his economic leadership that he is providing.

I am now going to reflect on some other comments I jotted down this morning. You must bear in mind that I just came back from holidays on Monday and found out it was coming here today.

One of the things we talked about through that presentation, which I admittedly did not put together entirely myself—I had some input from our research department

I am voicing the words. What comes from me is as a Sudburian born here in 1947, who has lived here all his life representing the largest section of the workforce in this city.

We saw that if you took away the public sector jobs such as we discussed, the data centre, Northern Development and Mines, etc, we would be exactly where we were 20 years ago with a one-industry town, with Falconbridge or Inco producing nickel, etc. We need something that will be substantial, that will sustain growth. We need something more than a government office and/or a nickel mine. We need something in the middle. I heard talk as far back as two decades ago of our need for an automotive plant, for a shoe factory, for textiles, but it has not come to be.

Besides the mining industry and the public sector, we have hospitals and schools. Sudbury, I might say, is doing very well right now. We have looked around the rest of the province, northern Ontario especially, and seen places like Elliot Lake that are not doing so well. Without the technology, we would have not been profitable. We would have been the way of the steel industry in the United States and we do not want that.

As the president of my local union, I support the fact that technology creates work; it takes away work, but it also guarantees it. Technology killed 12,000 jobs in Sudbury. Twenty-five years ago, Inco produced 280 million pounds of nickel with 18,000 unit employees—that is not off. Today, they produce 25% more with 6,000 employees. Technology did that, but without it there would not be a mine. They would all be closed, because they could not produce nickel at prices that the markets would make profitable. We are in close touch with this industry. We are told that within a few years that 6,000 will be reduced to the 5,000 level because of technology, while production will roll at about the same levels.

One of the reasons Sudbury has been recession-proof—I hate to use that word—in the last short while is because Inco, for instance, has invested about \$300 million per year over the last two years, and will over the next two, creating work for some 2,000 to 3,000 contractors and the ripple effects of their working in Inco's plants. Modernizing, getting ready, making the place cleaner and more efficient, that will end within the next three years.

If Sudbury does not have what it takes to pick up the slack from these major investments being made by the nickel companies, we are going to be in the same boat everybody else is. We are into mass expansion, and once it is over we are in trouble and we will join the ranks of Algoma Steel or Sault Ste Marie and Elliot Lake and all the rest, not to their degree maybe, but we will be in trouble.

In my presentation I talked about technology, I talked about training and I talked about the industry's need to train the workers. Currently, today, if you look at industry, whether it be Ontario Hydro, Bell Canada, Inco, any of the major players, if they need technicians, if they need technologists, if they need engineers, they steal them from other companies. There are only so many out there.

I sit on a panel in Sudbury that is concerned. I sit with management from corporations, with representatives from

Laurentian University, Cambrian College, the public and separate school systems, plus labour, and the problem we see here today is that our schools are closing their technical doors. The shops and the trade lines and the engineering skills are slowly being made less available to our students.

Ten years from now, we are going to have a drastic shortage of engineers, and for every engineer you are short—and we are talking in the thousands—you will be short 10 to 15 to 20 tradespeople.

Industry is seeing it. For example, industry in Sudbury has created a course at Cambrian College in which a student can say, "I want to work in the mines some day. I want to learn for two years what that is all about."

Industry better get on the bandwagon, or else we may have some work for people to do and nobody to do the work, because we are putting out academics. We are putting out our doctors and our lawyers and our business people and our bankers and our loans managers, but we are failing drastically on the technical people it would take to encourage secondary industry in the north—or anywhere else in the province, because Toronto is going to have the same problem as we have.

We are all getting up there in age. The average age of an electrician, I understand, in Ontario today is something like 47 or 48 years old. That person is not going to wire your house 20 years from now. We had better find some others, but the school system is not doing it.

The one other part that scares me, as a Sudburian: My daughter is going to be 15 years old. She is going to school here and would probably like to live here. We like to call Sudbury Ontario's best kept secret. It is a wonderful place to live, to bring up your children, and we have much more than people think we have. I think we have the most sunshine of any Ontario city, although you would not know it today.

Two things have happened in Sudbury. Sudbury is becoming a city of retirees. We have done a wonderful job—I am bragging about the Steelworkers prior to my becoming president, Ron MacDonald and those before him, and the Steelworkers as a whole—because when Inco was reducing from that 18,000 to 6,000 and we had some layoffs, although they were threatening massive ones, we encouraged some pension incentives.

We have 6,000 working members. We have 9,000 pensioners, of which 87% remain living in the Sudbury area. That is scary, because pensioners, although they spend money, have bought their homes, have bought their vehicles, have kept the economy rolling for their working lives and now they are coasting. That is not going to inject massive amounts of moneys into industry or development.

The other thing that scares us is our young people. You talk about the unemployment rate being bad in Toronto; it is bad here. A young person finds it very difficult to get a job in Sudbury, or northern Ontario. Where does he or she go? To Toronto, to southern Ontario. If you want to lessen your problems with unemployment in the south, create some jobs in the north and we will keep our children home where we would really like them to stay; in reverse, yes.

Anyway, I have covered it all. I am watching my watch. They said to leave 10 minutes. I am close.

Mr Phillips: I thought it was a very thoughtful presentation, and I commend you on it. Just a couple of thoughts. One thing we would agree with is what is at the bottom of page 4, but we would say, why is that not in this budget? In our opinion, we are going to waste two years putting in place what is absolutely required. I do not think we would disagree with it; we would just not suggest we wait another year.

There are two big issues coming up that you comment on here. One is pensions, and you have implied that perhaps your membership will be prepared to take a lower return on their money in their pension fund in return for investment in northern Ontario.

Mr Campbell: I should say not. I think investment in northern Ontario would quite probably create a higher return. In following some pension plans—I excluded Inco, which I sit on and read the documentation—we have found investments that incur less than 1%, and there is no input. We found a number of years ago, about a decade ago, when Hamilton—

Mr Phillips: Maybe you should just answer my question, Dave, because I have got—

Mr Campbell: I think that is a fallacy. There would not be less.

Mr Phillips: But it may or may not. You say it may or may not be, but it has to be prepared, I think, and I think we are going to face up to that.

I think you are suggesting that training should be the responsibility, not just of a company but industry wide. That will be another interesting debate, because I suspect Inco, for example, is probably spending more on training than the industry average. You are suggesting that perhaps what you do in industry is charge all of them the same amount for training. Inco, I think, may say: "Listen, I think I know what I should be doing. I want to spend a lot on training, but you are asking me to train in my own organization and spend money for other organizations that do not really give a hoot about it."

This is going to be an interesting debate, I think, on how we want to handle training in the future.

You have laid out for us two big issues that have come up. I think, particularly with your background in Inco, you will want to look carefully at them. Would you penalize a progressive organization like Inco in your training programs? Are members of pension plans prepared to take the risks of, perhaps, a lower return on investment in a certain geographic area?

1440

Mr McLean: He actually asked the question I wanted to ask, so we will get the same answer, probably. Is there any skills training being done in any institution here in Sudbury at this time?

Mr Campbell: To a degree, probably more than others. Cambrian College is well-noted as a good area for technical training, per se; but per capita, I think, in Ontario we are lacking. The numbers of skilled technical people who are going to be required in industry are phenomenal.

At Inco, as Mr Phillips said; they are participating in exactly what he is suggesting, but they are using the tax

dollars paid by the people of Sudbury who fund Cambrian College, per se. They have 80 students taking mining development. Inco cordially takes them into the plant for three months during that training session. It oversees the uses that as a probationary period to pick the cream of the crop, and hires them at the end of the two years. There is some argument about whether the company should be more responsible in paying for Cambrian College, if that is the methodology behind it. Will Bell Telephone jump on that? Will Ontario Hydro jump on that? We do not know, but something definitely has to be done.

Lots of work, lots of little holes, and I disagree there would be less money paid back in pensions.

Mr B. Murdoch: I have one quick question. Your brief was well done, but I had some problems with some of it. I wonder where you got the information that it is a right-wing strategy to cut back on health care and social systems.

Mr Campbell: We listened to what was hitting the floor at the Conservative convention; I guess that is the place. We see, everywhere, right-wing governments—they have one federally which has cut funding to the provinces for medicare. As trade unionists, as democrats, we are dreadfully afraid that we are going the way of those south of the border, and we will do anything we possibly can to block that.

Mr Sutherland: I want to compliment you, too, on your superb presentation. The opposition parties have been claiming that labour representatives coming before us are just saying the same thing. This is a very good presentation that deals with the real issues. I am just wondering what you feel would be some of the specific areas that Sudbury could pick up in terms of diversifying the economy beyond Inco and beyond the government jobs.

Mr Campbell: As a Sudburian, you get into regional politics, but one thing that does not attract secondary industry to establish in the north is transportation costs. I hope you all ride back on Highway 69. You will find out why it would cost, I think it is, 28% more to ship goods from Sudbury to Toronto than it would on the 400, on the same nice four- and six-lane highway.

The other thing is that they keep on talking about the cost of properties in the Golden Horseshoe, how much money a piece of land costs per square foot to develop in Toronto. Come on up here. We have miles of it. You have Burwash farm. You own that. Divvy it up to some nice little industries that is going to pick it up and do something with it.

We could spend the next six or seven days talking about what industry would be attracted to the north. Inco, for example, used to be an importer of technology. We are now an exporter of continuous mining systems. There are mines here, so they develop mining equipment. There are mills here, so why not develop lumber equipment? There is a multitude of things; we can go on and on.

The Chair: I would like to thank you for your presentation and attending the budget review hearings here in Sudbury.

The committee recessed at 1446.

NIPISSING TRANSITION HOUSE

WOMEN'S ACTION COMMITTEE OF NIPISSING

The Chair: You can proceed with your presentation. You have a total of 30 minutes. Try to save some time at the end of your presentation for the three parties to ask questions on your brief.

Ms Alcorn: I will begin by introducing myself. I am Ms Alcorn. I have worked with assaulted women and their children for the past seven years. My first job at our shelter began during the shelter's first summer. I was hired as a recreation worker to assist with the children's needs during this tumultuous time in their lives. My work experience in the shelter has gone from child care to research to on-site crisis work with women and to all else shelter work entails. I will not get into the long job description.

Nipissing Transition House is a 14-bed residential dissonance shelter for women and children escaping male violence. It opened in January 1984 as a nine-bed shelter, but the need for increased services became immediately apparent. Finally, in September 1989, we reopened as a 14-bed shelter in a newly renovated and expanded facility.

The Women's Action Committee of Nipissing was founded in July 1989 after women's groups and individual women continued networking following a meeting with the Ontario women's directorate. In December 1990, we adopted the following mission statement, "To promote the empowerment and status of women in Nipissing district through the elimination of barriers to the full participation of women in all spheres—economic, social and political."

At this point, I would like to quote from the statement of principles of Nipissing Transition House as well, "We acknowledge that some groups of women in our society, such as economically disadvantaged, immigrant, native, Francophone and disabled women face a double oppression."

These are two statements which name and describe, in a basic way, women's issues which must be attended to by our society. I have been involved with women's issues and women's organizations since 1985 at both a local level and provincial level, the focus of which has been primarily male violence against women.

We have come here today to speak to the link between economics and the oppression of women. I sincerely hope we will not be lumped in with the other "social workers" who have made presentations so far. I have to comment on some of the remarks I heard this morning on CBC radio. I am going to assume they do not reflect the majority of the committee members. If we had already presented, I think I would be angrier and more upset than I was when I heard some of them, because it was dismissive language that was being used. The taxpayers are paying for this. Please do not allow it to be any more of a waste of money than it is being considered by so many people. I am really urging everybody to listen to what we have to say.

I will borrow from the statement of unity of yet another women's organization, this time using a statement which the Women's Action Committee of Nipissing adopted from the Northwestern Ontario Women's Decade Council, "As a feminist organization we believe in the dignity of womanhood,

the value of women's work, the voice of women as experts on our own lives and equality through the freedom of choice."

Dignity: In this society, dignity requires access to financial resources, be it the basic human right to food and shelter which often, more and more often lately, forces people to turn to social assistance, or be it the need for subsidized day care which attempts to offset an invisible barrier to women's full participation in the labour force. Dignity for women in this society also requires access to adequate services if we have been physically, sexually or emotionally assaulted.

Value of women's work: The recognition by this society of the importance of pay equity and employment equity would indicate that women's work is considered valuable.

Voice: The voice of women as experts of our own lives can be developed through funding resources which are women-based and women-focused, such as shelters for assaulted women and sexual assault centres. Funding of these and other such support services helps break the silence on many levels. They give women a voice on an individual basis so that as individuals they can voice their own pain, thus breaking the silence. These services enable women to advocate on behalf of each other, thereby breaking the silence at a societal level.

Equality through freedom of choice: We can increase women's choices through the adequate funding of the services which women require in determining our own individual future. Women's options are lessened in number and in viability due to factors such as fewer economic resources, fewer employment sources and lower employment standards as well as inadequate support and health services.

For instance, when a woman is forced to seek safety in a shelter for assaulted women, will she be able to exercise her right to safety if the shelters in her area are full? Currently in the North Bay area there is one shelter for assaulted women right in the city. It is a multipurpose shelter. There are three shelters outside the city of North Bay as well. They are within about a 40-kilometre radius of each other. Currently all the women's shelters are full and we have a waiting list at Nipissing Transition House, which is fairly common, so obviously there is always an increased need for services for safety.

If she considers separating from an abusive partner, will she have access to community resources which can help her explore her options? If she requires social assistance, will she be made to feel guilty for so doing?

I have to refer to a letter to the editor I read in the North Bay Nugget recently which appears to have been circulated throughout various communities. The headline in our papers was "Put Them to Work." "I am writing about a huge problem our country has but some places are doing something about it. I would like to see Ontario do something. The problem is why are the people on welfare getting cheques for doing nothing?"

That attitude concerns me greatly when very many of these people are fighting to find ways of maintaining a basic standard of living. That kind of attitude, I think, just continues to make it harder and harder. So the stigma continues.

When we heard the strong opposition to the recent budget and the subsequent demand for public hearings, we felt compelled to speak out as well. The Conservatives demanded that public reaction be included through this format. Well, what you are hearing from us today is just a whisper of what many women are saying, many women who are very concerned about services and social services, and the need to continue.

What would those who want cutbacks have this province do to social programs?

We may be in a recession. I know there is some debate depending on who is stating what about whether we are still in it or out of it. This does not stop people's need for food, shelter, clothing and safety. Men continue to assault women during times of economic restraint.

Those worrying about food, clothing, education, health, shelter and safety would quite likely welcome the luxury of worrying about our tax system.

While women live in a society in which the dignity of womanhood is undermined, the value of our work is yet to be fully acknowledged, our voice is denied or dismissed and our choices are limited, we will continue to face oppression. We would expect that this committee will not dismiss our input at this hearing. The women of Ontario require and expect to have access to the financial resources allocated to the various social programs through this budget. In fact, many of us expect and are calling for more economic attention to women's rights.

Ms Neault: My name is Alvina Neault. I am one of two co-ordinators in the Women's Action Committee of Nipissing. I live in Mattawa, which is 40 miles east of North Bay, a little lumbering town. Like Pamela, I am a shelter worker in a slightly different shelter. It is a family resource centre and the mandate is different, but most of what we deal with is the result of violence as well. All my life I have been a resident of northern Ontario.

Like a lot of other Ontario and Canadian women, I am married and I have a family. Like many other Canadian families, we lived through the last recession and we will live through this one. We will do it by making some cutbacks. There will be fewer luxuries and treats for every family member. However, when my husband and I are considering our budget, there are several realities we have to face, because like it or not our basic needs, just like everyone else's, remain the same. We have to eat. We have to have a place to live. Our children continue to grow out of their clothes, and as much as I wish it would not happen, they get sick and they need medical attention.

As the ones responsible for making the decisions in our family, my husband and I have to consider all of these things when we sit down to decide where the limited resources will be allocated.

At one time in the not-so-distant past, it was considered acceptable to expose members of the family who were considered useless or just another mouth to feed to the elements to die. Girl babies and the elderly often suffered this fate. In this vastly more enlightened age, we have laws to protect people from this sort of treatment.

However, when times get tough, as they do in a recession, people begin to cast about for solutions, and inevitably

someone decides that we are spending too much on low cost housing, too much on medicare and way too much on education. Complaints are heard, in the paper and elsewhere, about how easy it is to get UI benefits or general welfare or family benefits. On the same page in any newspaper, we can read about plant closures and people being thrown out of their jobs, and government promising to spend on our social welfare net at the same time Canadians need it most, and Ontario is part of Canada.

In my family, my husband and I are the adults, and therefore the ones with the power to say where the money will be spent. We do not expect our children to quit school and go to work to help support themselves, even if it were possible for them to find a job. We have no intention of asking them to quit eating. We will not refuse to provide them with medical attention. What we will do is put a second mortgage on the house or borrow money to ensure that our responsibilities to them are met. That is our job. It is government's job to see to it that the citizens of Ontario are guaranteed the necessities of life so that when the recession ends we will not have been pushed so far down that we will be incapable of rising again.

Do not get me wrong. My husband and I do not want to go further into debt. We will not do it without a great deal of thought. But if it is necessary, we will do it because the alternatives are unthinkable.

I just want to make it clear that I am not a member of any political party. I feel free to praise or criticize any government and any of its ministers. I will admit that the Ontario deficit is distressing, but it is justifiable. It is justifiable on the same basis that many family deficits are justifiable: The money is being used to take care of people.

The people who are the beneficiaries of the Ontario budget are by and large people who are long overdue for some consideration from government: Ontario native women who are victims of sexual assault; low-income people who had their income taxes reduced or wiped out by the new tax credits; children on reserves who will benefit from 400 new day care spaces, and that is hardly enough; child care workers who were long overdue for pay equity; after all they have one of the more important jobs in our society and they are making lousy money; and university students who were long overdue for some education and violence against women.

While we are considering all these things, we might ask ourselves a few questions. Where did this deficit start? Was it during another recession, this recession, or did the previous government incur it during a time of growth and plenty? How much are these hearings costing the Ontario taxpayer? What part did the cut in federal transfer payments play in the Ontario deficit?

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Mr McLean: Two excellent briefs, from the heart and saying it as it is. The first question I have is with regard to the transition house. How long has it been in action?

Ms Alcorn: Since 1984, the Nipissing Transition House.

Mr McLean: Does it have 14 beds? That is not near enough, I am sure.

Ms Alcorn: No.

Mr McLean: Are you planning on enlarging it or are you doing to get more quality places for these people who are in need?

Ms Alcorn: What North Bay is doing right now is looking at a sexual assault centre. I think that will help. We have a lot of crisis counselling as well—women trying to figure out whether they are going to leave or are not going to leave and some women who need to come in crisis to the centre. Whether or not that sexual assault centre will be a reality as well, we are not sure yet because we are just in the planning stages. We are one of the areas which has not been designated to receive a sexual assault centre, although we have not got at all into the planning stages.

I do not know that we would expand the size of the shelter, but I think the increased use of service—it is just skyrocketing and certainly we would love to have another shelter in the community. Many people look at North Bay and they say, "You've got Nipissing Transition House right in the city." There's a multipurpose shelter for men and women in the city and then the three family resource centres just outside. The city has been forced to put families out of hotels, into hotel rooms. So nobody is turned away at the doors; that is definite. Women can come in and we get them to another shelter. Sometimes it means going into a completely different community and sometimes it means a hotel room is her only other option.

Mr McLean: Your food banks.

Ms Alcorn: We have a food bank.

Mr McLean: Are you getting enough supplies to operate that food bank? Some of them are not.

Ms Alcorn: Every summer there is a major drive for the food bank and we just had a festival in town.

Ms M. Ward: One of your comments, which I think is aside from your brief, was that you were describing the blame-the-victim attitude that is somewhat prevalent nowadays against people on welfare, with people commenting about lazy people on welfare. We find the same attitude in some segments of society about women who are victims of violence. Not everyone supports the need for those services. I think in some cases people are not eligible for support if their husbands are assumed to be able to support them at times when they might need to come to a shelter.

Ms Alcorn: You mean women having to pay for their own safety?

Ms M. Ward: Yes.

Ms Alcorn: I think that is being negotiated with the shelters at a provincial level. But in our community I cannot remember when a woman has had to pay. One of the things is that when there is a separation usually you cannot get to the assets pending division of assets, or they disappear, whatever they may be. Very rarely do women actually have financial resources and when they do, many women are concerned that they will have to pay for their own safety.

Ms M. Ward: That is the point I wanted to emphasize to get you to comment on, the need for community resources to be put into it. The woman might come from a family with some financial resources, but the woman is left without any resources, and that is really a form of

imprisonment if you do not have the community resources there and she has to stay within that violent situation.

Ms Alcorn: The shelters contract with the municipalities and some shelters are having difficulties with municipalities. We are not; a very co-operative municipality.

Ms M. Ward: That is part of my concern, yes.

Ms Alcorn: But I am concerned that power would go to municipalities. I think it should be provincial. There should be guidelines and no woman in Ontario should have to risk not being able to get to a safe haven.

Ms M. Ward: Do you find that public awareness of the need for this service has grown in the last few years, that people really are becoming aware of the problem the more it is talked about? It is not hidden any more. No one laughs nowadays about wife assault, I hope, as happened a few years ago in the House of Commons.

Ms Alcorn: I do not want to hog the microphone.

Ms Neault: I think that there is a danger that people are going to see shelters as a solution to wife assault, and they are not, and no shelter worker wants to stay at work forever, not in the shelter. We would far rather see violence eliminated so we can all get on with our lives, because this is more than a job.

Ms M. Ward: One of our presenters yesterday was speaking of the need for education at a much younger age, being able to identify potential offenders.

Ms Alcorn: I think we have to be careful about education, as well. I am concerned sometimes. That is why I referred to "women-centred." I do not think we can lose sight of who brought this issue out. It was assaulted women and their advocates who finally screamed loud enough for people to start listening. A concern of mine is that the community had not been responding for centuries, or society had not been. I think we have to be very careful about what we do, where the money goes, how it is allocated, and plan our strategy, not be short-term. So many people want quick solutions to social problems. This has been in existence for ever and it is going to take some time. I think we have to be very careful on how we apply money, allocate money.

Mr Jamison: I would like to thank you for your very direct presentation. I would like to ask you a question about the children involved where wives are abused, about the effect on children and the numbers. You have children who are experiencing this first hand and you are seeing the effects of that within the shelter itself; but there is the ability to deal properly with the situation, to provide the support in relationship to the children involved also. I wonder if you could speak about that for a moment.

Ms Neault: Children in shelters have even less power than their mother. Whether the mother has any power or not, the children still see her as being powerful. So their situation is quite different from their mother's. I think almost every shelter now has a child care worker who sees to the specific problems the children experience when they are taken away from their home and perhaps a father who does not abuse them, might only abuse the mother. It depends largely on whether the children are male or female.

They see it quite differently. Little boys see it quite differently. It became obvious to us, almost as soon as we opened the shelter, that violent families were a training ground for future violence, because the little boys quite often, depending on their age, take over where their father left off. When dad is not there, they become the abusive one. They will hit their siblings and their mother and expect her to pay attention.

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Mr Phillips: Thank you both for a thoughtful presentation. I just have a couple of comments and then a question to you, I guess on your presentation. I think there were some questions in there. I think one of your questions was where the previous deficits start. You can get a copy of the budget, I guess, from the clerk. It goes through it. On page 48 it spells that out for you.

You also mentioned that you admit the Ontario deficit is distressing but a justifiable deficit. Just a comment, I guess, about why some of us worry a bit about the budget: It is not this year's deficit; it is deficits for a long while. I like your analogy with the family. That is the way I think about the budget. The second part we worry about is just where is the revenue is going to come from. Where are we going to generate the activity to ensure that we do fund the programs in the future? I wanted to share with you some of our concerns about the budget, the long-term deficit which goes on for ever, and just whether we are going to have enough economic activity to fund the programs.

We have talked to other groups, by the way, which have expressed their opinions, but I would like yours. In difficult economic times, does the demand for your service go up or is it irrelevant to economic times? Second, are we seeing an increase in battering or is it that there is just more access now to services and therefore people are able to come forward a little bit more? In other words, is it a situation which we are beginning to change? I think you mentioned this is not going to be something that is changed overnight, but are we beginning to make an impact in terms of getting at the root causes of this or not?

It is troublesome to me to hear that you have a waiting list or that at least you are trying to accommodate it. You have four facilities in your community and neighbouring communities, but still do not seem to be able to meet the demands. I would like you to give some of your experience to us in terms of economic conditions. Do they impact one way or the other on this? Second, what is happening out there?

Ms Neault: The family resource centres are slightly different, as I mentioned before. We have a wider mandate, so we can take any woman in crisis, and the woman defines the crisis. It can be economic; her house might have burned down. We have actually never had that, but the woman defines the crisis. It is not a transition house that deals primarily with violence in the family.

Having said that, yes, we do see an increase during hard economic times because we take women for whatever crisis. Sometimes family breakdown is precipitated by a loss of employment and so we might see a woman in that situation.

Ms Alcorn: Our shelter, however, is only for assault women and their children—physical, sexual and emotional abuse. We have been asked that and we have tried to see if there is some correlation, but it just seems to be that there is some need for and the use of our services seems to increase steadily. There are times it slows down. Then the next year we are full before Christmas. There is no trend that we can really identify.

We do know that economics is not what causes the men to be violent towards women. There is our social structure in our society. When times are good, there is violence. Some people say, I guess, it is the end of the month when the cheques come in, referring to a very classist remark. That does not seem to make any difference either. We do not notice that. It seems just to be steady. In fact, I have heard some women say they felt worse leaving during hard economic times, because they felt guilty leaving. Maybe it is because of the economics. They think maybe it is because of the economics, that maybe when times get better, the violence will go down, and it does not, typically. It is hard to tell, but there is no cause and effect of that one aspect.

I think you were asking if we are seeing an increase in violence, or is it an increased use of service because of public awareness?

Mr Phillips: I think you said the demand for your services increases, and I am just trying to get from you what the cause of that is.

Ms Alcorn: Increased awareness is certainly having an effect. Women are starting to realize they have a choice. There are options. However, what worries me is that women will think, as Alvina was saying, that because we have shelters everything is taken care of. Shelters are definitely not what every woman wants or can see as an option. When our shelter is full, the thought of going to another outlying rural community is quite frightening for a lot of women who live in the city. Their support networks are in the city. There are transportation issues, the children, friends, the schools, the relatives, all of those things, some of which women need to get away from, but very often support systems help.

There is debate about whether violence against women is increasing or if it is awareness. I think, unfortunately and fortunately, it is both. But more and more women are phoning and saying their awareness is increasing of the various systems—the social system, the health system, the justice system, the civil system, the law system.

Ms Neault: I might also make the comment that it seems to be word of mouth rather than any education that is on television, although that might help, but when women come to us they are typically referred by a relative or a neighbour or another woman who has used the shelter.

Mr McLean: I really have not any further questions, just enjoyed listening to the comments. But I presume that awareness now of the program would be the biggest reason why you are getting more people. It is because they are aware now there really is some place to go. A lot of people, I believe, stayed in the situation because they did not believe there was someplace else to go.

Ms Alcorn: Many women have said that to me and others that although there is a place to go, they cannot. A lot of it has to do with community awareness too, that society says, "Yes, it's okay for you to leave." That really bothers me, that she gets messages from anybody she may come into contact with too, community awareness, that society is saying: "It's okay for you to leave. You have a right to leave. He doesn't have a right to do that."

The Chair: Thank you very much for making your presence and your presentation here before the committee.

ONTARIO HOTEL AND MOTEL ASSOCIATION

The Chair: The next group to make a presentation is the Ontario Hotel and Motel Association. Please come forward and identify yourself. Welcome to the standing committee on finance and economic affairs on the budget review. You will have one half-hour, and out of that half-hour at the very end, before the half-hour comes up, you will save some time which will be divided equally for presentations from the three parties. You may proceed.

Mrs Dozzi: First of all, I would like to apologize for my voice this afternoon as I have this terrible cold. I do not intend to try to speak too loudly, but I just apologize in the meantime.

Thank you for allowing me to make this presentation to you. My name is Melinda Dozzi. I am from Sudbury, but I am also the president of the Ontario Hotel and Motel Association, whose head office is in Toronto on Airport Road.

I was born and raised in Sudbury, Ontario. I am proud to be called a Sudburian, a person from northern Ontario. My family has been in the hospitality business in this community for 54 years. We have been active in this region not only in a business and social environment but also, as years have witnessed, in this area in the political arena as well.

I am a concerned Canadian and I believe in Ontario and in our future. In my capacity as president of the hotel and motel association, I wish to outline to you my perception of some of the key issues affecting the hospitality industry, which is the third-largest industry and the largest employer in the province.

I would like to tell you a little bit about our association. I feel some of you may be aware of it already, since you are perhaps with the Ministry of Consumer and Commercial Relations. The Ontario Hotel and Motel Association is incorporated in 1925. The objectives of the association are to represent the hotel, motel and food and beverage industry in government and legislative matters; to provide means for members to exchange information on problems and new ideas; to review industry trends and develop forecasts; to provide guidelines for professional conduct in this industry; to provide educational programs and services; to provide guidelines for accommodation and operating standards in the industry; and to act as a focal point for organizing joint efforts among members for the solution of industry problems.

The Ontario Hotel and Motel Association represents over 1,200 members who own and/or operate large and

small businesses in this industry, such as hotels, motels, taverns, restaurants, resorts and lodges. The association's membership represents over 51,000 bedrooms and 150,000 licensed dining and lounge seats, employing over 45,000 people. I read last week that one of the problems with the hospitality industry is that we have failed to tell the world—yes, the world—how valuable and significant tourism is. Now every nation worldwide wants to be counted as a tourist destination. No one could possibly name a country or a nation that does not want this industry. We as Canadians do not realize that tourism is vital to our wellbeing and economy. Tourism is being neglected.

In this past provincial budget, there was not a mention of tourism or any support for this industry. Tourism means jobs and foreign receipts. Ontario has come into a summer of soft convention bookings, post-GST spending thriftiness and dwindling tourism from the US. Ontario tourism operators are burdened with taxes—fuel, airport, transportation, property and liquor. Compounded with the GST, the PST and the Ontario health levy, plus other proposed taxes on our industry and country, many tourist operators find operations a paperwork nightmare. Hoteliers are now handing governments an estimated 47% of their revenues. The industry sees no signs of recovery and is, when and if it happens, anticipating a slow one.

A recent study sponsored by the Hotel Association of Canada and Tourism Canada suggests that high taxation is contributing to the industry's loss of international competitiveness. It is a fallacy to conclude that Ontario hotels are not competitive. They are, and you must believe that they are. Hundreds of tourist and hospitality businesses, both small and large, have been brought to their knees by this recession, wiping out countless millions of dollars in personal and family investments while crippling the entrepreneurship which has sustained development and growth in our industry. We recognize the importance of working together and joining our efforts with our colleagues.

We are pleased to have heard the announcement of Peter North, Minister of Tourism and Recreation, of a \$200,000 commitment for the establishment of the Ontario Tourism Education Council. This will provide opportunities in our industry through job apprenticeship, national certification standards, training and education and the promotion of hospitality awareness.

In the recession of 1982 the small business person was helped. In this recession, one that is deeper and longer than most people ever dreamed, and not over yet, the small business person has become a non-entity. It must be remembered that not only are employees people but employers are people too.

The GST is not popular. The GST story is probably still very unfinished and will remain unfinished for a while. No one could have predicted that the GST arrival in a master stroke of deadly timing would come in the midst of widespread recession, nor did anyone predict that the Canadian dollar would be as strong as it is.

Our industry has traditionally provided meaningful and productive employment and steady incomes for hundreds of thousands of Canadians and Ontarians, and particularly for women, youth, aboriginal peoples, new Canadians and

visible minorities in greater numbers than in any other sector or industry in our province. Many of them and their dependents are now suffering the hardship of permanent or indefinite layoffs and reduced available work opportunities. There must be a recognition of the vital economic importance of the Ontario tourism and hospitality industry to the economy of the province. Canadian consumers are going to the United States for goods because of price differences. The cross-border shopping greatly affects the hospitality industry as well. This is also causing economic pain and in some cases bankruptcies for domestic retailers in border communities in Ontario.

Canadian shoppers, in order to benefit from the 48-hour visit, are opting to stay in American hotels and motels so they can bring additional goods back across the border. The occupancy, on the weekends, of the border cities' accommodation property is down everywhere. This means that the hotels are losing money, retailers are losing business, jobs are decreasing and the government's tax revenue is diminishing. It would appear that our tax policies therefore are self-defeating. When people continue to shop across the border, it becomes a part of their routine and part of their life. Routines are difficult to break. We are people, but we are creatures of habit. How long before we convince them again to shop Canadian and utilize our own resources?

People in cities and towns near the American border find it more economical to drive across the border to purchase gasoline. Gas increased 1.7 cents a litre after this last budget. Gasoline prices are to go up 1.7 cents per litre in January 1992. In northern Ontario we are too far from the border to buy inexpensive gasoline. It has been stated by Mike Brown, MPP for Algoma-Manitoulin, that the average cost for a northern Ontario motorist will be \$110 more by January. This is devastating to tourism in the north since people planning vacations will tend to find it more economical to tour the American states.

Sunday shopping, mandatory service training, minimum wage increase, off-premise sales, pay equity, wage protection, the sin tax, employee health tax, environmental and waste regulations, workers' compensation, directors' liability, Bill 70—where does this end? Business has long been recognized as the major creator of new jobs. Business, by its very nature, is innovative and creates new products and advanced technology which can be exported worldwide.

Wherever you go, in any part of the world, as you know, people think of Canada as a safe haven, a country where politics works, where there is a minimal amount of corruption, where there is safety in our streets, where we have a phenomenal environment and where our economic performance has been consistently strong over 45 years. All of that brings on the perception abroad that we are a politically stable country. This has been such a trump card that we have taken it for granted. If the government continues to apply more legislation, taxes and restrictions on the employer, it soon will not matter if the employment standards are met or the employees are being paid a good wage, because there will not be any reason to have employees.

Retail, manufacturing, hospitality operations large and small are closing their doors already in alarming numbers. Of the 130 Ontario hotel and motel members who responded

to a recent survey, 65% said they had laid off staff within the last six months. The 479 laid-off workers represent 16% of the total number of people employed by the survey respondents. In addition, about half of the layoffs are permanent. About 65% of the survey respondents indicated that business had declined over the past six months. When asked to identify one or more reasons for their losses in business, 69% of the respondents said recession, 66% said the goods and services tax, 61% said the employer health tax and 43% said excessive property taxes.

Unfortunately, governments tend to turn their backs on businesses and often policies are developed with no consideration of the impact on the business community. Governments tend to listen, but do they really hear once they assume power? When it is no longer profitable to carry on business and there is no reward for the hours, the risk-taking, the amount of pressure constantly faced by employers, the sense of insecurity and the pressure on family, what is the answer? We know Mr Rae understands that the generation of wealth, meaning business investment and growth, is essential for Ontario to provide jobs and find resources to support health care, education, the environment, culture, the public infrastructure and the quality of life in cities and towns in this province.

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To stimulate activity in northern Ontario and thus utilize the region's most readily available non-depleting industry, an economic generator, northern Ontario must be perceived as a major destination by potential visitors, both domestic and foreign. Tourism is an increasingly important factor in northern Ontario, particularly for those communities lacking any major resource industry. Tourism is northern Ontario's third largest industry and provides numerous employment opportunities. The north offers a great deal of promise for tourism, and through proper promotion tourism in northern Ontario can offer world-class wilderness and outdoor vacation opportunities. The best potential for tourism lies in the non-resident pleasure travel market.

The key to success is northern Ontario's ability to develop long-range plans for the future and sell northern Ontario. Without the proper transportation and upgrading of amenities, northern Ontario's ability to capitalize on the world's largest and fastest-growing industry may be lost. The north must be opened up. We must have better road transportation from southern Ontario to the Manitoba border, and soon. Our highways are our lifeline. If we wish to develop industry, attract visitors, maintain and improve the quality of life and be competitive across Canada and in world markets, we must have a safe and dependable highway network.

Is it right that our generation should be building massive debts in order to pass them on to our children and grandchildren? The fact of the matter is that we are heavily indebted that there is no question that our children and our grandchildren are going to pay. Where have we gone wrong? What are our values? What is the answer? What are we going to do? We would be prepared, as an association, to give input and direction, as would many other Canadians. All you have to do is to ask and be prepared to listen, as I hope you are now. We welcome the opportunity to work with you.

would like to take this opportunity to highlight some requests and recommendations that were collected made with Tourism Ontario's submission: that the Ontario government maintain student wages and the differential in wages for wait staff; eliminate the exemption of the current provincial sales tax prepared food purchases under \$4; eliminate the discriminatory provincial beverage tax on beverage alcohol purchased by licensees, which will enable them to be competitive or to compete on price and merchandise spirits, wine and beer with other provinces and significantly increase provincial tax revenues; encourage industry sales of taxable food and beverage by harmonizing the collection of provincial sales tax applied to food and beverage alcohol at 8%; freeze the provincial tax rate applied to the accommodation industry at 5%; eliminate the application of the commercial concentration on large hotels and associated parking areas in the Greater Toronto area; reduce the unfair employer health tax for tourism and hospitality enterprises to a flat 0.5% of payroll regardless of size; eliminate the application of the employer health tax on taxable benefits and allowances in our industry; collect the employer health tax from persons who are self-employed or are compensated through unincorporated proprietorships; reinvest all provincial tax revenues collected annually from provincial fuel taxes, drivers' licences and vehicle purchase/rent/repair taxes, levies and surcharges in the improvement, repair and expansion of provincial and municipal roads; co-ordinate a multimedia network by a Canadian campaign and emphasize social and economic benefits of travelling in Canada and purchasing Canadian goods.

Sunday shopping should be unrestricted in Ontario to create a level playing field and unrestricted freedom of choice in the marketplace to offer shopping selections, convenience and availability to all our visitors.

The hospitality industry today is faced with many obstacles, increased operating costs and restricting legislation. In order to remain competitive and recapture some of the lost business from our neighbours to the south, we must have the ability to compete on a level playing field. We ask the Ontario government to consider our recommendations as we strongly feel that these recommendations, if approved, will help the economy of Ontario and therefore the people.

As an ending, I would like to quote from Audrey McLaughlin, federal leader of the NDP: "People feel we are living not just the prosperity of the country but the very character of the country. We seem to be losing the country we knew. The fate of this country is much more than the fate of political parties." Thank you.

Mr B. Ward: I appreciate your brief and the recommendations you have included and I am assuming we are going to get a copy of that as part of the package. I would not like to point out some perhaps unintentional inaccuracies in your brief. You mentioned there was little support for small business. I believe you touched on it to a degree. I can use my riding as an example, the city of Brantford, where I know of a number of small- to medium-sized manufacturing industries that have received loans or loan guarantees from the Ontario government corporation to allow them either to expand their capability or introduce

new technology. There is assistance for small- to medium-sized business from our government.

You mentioned the levels of taxation as a concern and I agree. I think the GST has done more to hinder the advance of tourism in this province than anything other than the recession. If you look at the budget from a business standpoint, I think there is very little cost added to business from a taxation standpoint other than the 1.7-cent increase of gasoline. Again, I can relate to Brantford, and I agree it is different up north because there is more competition, but that 1.7-cent increase has not been noticed at the pump price because prices fluctuate so much and generally they are down more than up.

We do have a program in the government called tourism redevelopment incentive program, or TRIP, and it was not our initiative. A hotel in Brantford has taken advantage of that, \$500,000, to expand its services. I am just wondering if you could comment on that specific program. As well, it is my understanding, from previous presenters, that tourism is up by 21% in Thunder Bay over the last three months, which I think is great. As well, we had a gentleman from Manitoulin Island who said tourism appears to be better than it was last year. Perhaps you could comment, if you can.

Mrs Dozzi: Manitoulin Island is unique in the fact that its tourism is up this summer.

Mr B. Ward: Yes, and Thunder Bay is up 21%. They are doing something right. Perhaps we could learn from that. That was my question.

Mrs Dozzi: They had better tell Toronto what they are doing, because I think Toronto is the biggest crier of its soft market right now. As far as small business is concerned, I am not speaking directly of manufacturing when I am speaking of small business. I should probably say it relates more to small business than to the restaurant and hotel association. Maybe it is because we sell alcoholic beverages in most cases and we are licensed properties, but they do find in many cases that it is not that easy. Your hotel in Brantford might have been able to get this \$500,000 loan, but they have experienced a more difficult time getting loans in some cases.

Mr B. Ward: Through TRIP?

Mrs Dozzi: Whether they are using TRIP or not, maybe because we are licensed properties and people will stand back for that, and the fact that we do sell alcoholic beverages; but not all of us do, of course. As far as TRIP is concerned, maybe they are not going to the proper thing. I am not hearing so much from my members that they are applying for loans or wanting to expand and being refused, whether they are applying to TRIP or any other organization that might be helpful to them.

1550

Mr Jamison: I understand what you are saying about the budget, that clearly the government took a neutral position there, basically. I wanted to just comment quickly on the state of the Canadian dollar and how that affects the tourism in our tourism industry and the exemption in the Sunday shopping legislation that is pending. How do you feel about the recognition of tourist facilities in tourist

areas being exempt from Sunday shopping? I know in talking to the minister that he was—

Mrs Dozzi: Let me just tell you one thing that happened last Wednesday when I did a presentation on Sunday shopping. Just before I came to do the presentation on Sunday shopping—

Mr Jamison: Our time is limited. I would like you to be specific about tourism.

Mrs Dozzi: I am. I had a busload of Americans came in, 37 Americans from Madison, Wisconsin. They came in for lunch. They had been in Ontario for one week. And all they did was complain about the high cost of food and accommodations in the province. The tour guide they had was I suppose the most vocal. She complained the whole time she was there, especially when they came to the cash, not so much because of my establishment's prices, but just what she had incurred when she had been travelling through the province. She said: "When you tell these 37 Americans"—who were senior citizens—"what the price of the meal is, don't talk anything about GST, don't mention provincial sales tax, and for heaven's sake, don't say there's a service charge, whether it is 10% or 15% or 12%. Just tell them one amount. If you're going to charge them \$8 for the salad bar or \$13 for a buffet or \$10, don't mention anything else. Give them one price, because this GST/PST for the last week has mind-boggled them. They are absolutely mind-boggled."

She was the most vocal. She came to the cash, and when they paid their bill, these 37 Americans—this was their last stop before Sault Ste Marie, Michigan—were in their pockets digging out every single Canadian coin they could find to pay their bill. They did not want to have any Canadian money left in their pockets. It bothered me so much that they were so anxious. I had never seen a group—and maybe it was her fault, because she was a very aggressive tour guide. She wanted no Canadian money left in their pockets at all. We took pennies and nickels and dimes.

Mr Kwinter: Thank you very much for your presentation. I can sympathize with what you have to say. A branch of my family is in the hospitality business.

I was quite interested in your survey, and what I would really like to find out from you, if you are able to tell me, is, have you done any studies to find out what is going to be the difference as a result of the recession ending, if it does, and the cumulative effect of all of this other tax-related legislation? The recession is throughout North America. The Americans are feeling the recession just as much as we are, yet they are travelling, they are coming here. But when the recession is over, some of this legislation is still going to be there. How is that going to impact? Are you going to see any improvement?

Mrs Dozzi: I do not think anything is ever going to be as good as 1988 was. I do not think we are ever going to see years in this business like in 1988. I am not a fortune teller; neither are you. We may be able to look back and say, "Oh, she was wrong, look at 1990, it was wonderful," or as we prepare for the year 2000. But I do not think the tourism and the economy, as far as the influx of tourism in

Ontario is concerned, is ever going to be as wonderful as it was in 1988. That was a really keen year in this business and I do not think we are ever going to see—I do not have an answer for you. I do not know what we are going to do. We are looking to you people to tell us what you think we should be doing. We elected you people; we want some good inspiration from you too. We input to you—

Mr Phillips: And you fired us.

Mrs Dozzi: I think you have to answer that question for me.

As far as the survey is concerned, I can give you all the facts; all the little results are sitting in the office.

We spoke in Thunder Bay, but I just want to say one thing. This was in the Toronto Star. Michael Beckley is chief executive officer of the Holiday Inns across Canada and he says, "Maybe we should start growing melons on our ballrooms."

You mentioned Thunder Bay, and they are saying here this is from Motels Ontario; Bruce Gravel is their chairman. He said, "Members in the United States border areas, Kingston, Niagara Falls, Sault Ste Marie, have suffered a 20% drop in occupancy."

Mr B. Ward: Thunder Bay is up 21%.

Mrs Dozzi: Maybe it is because they have tried to get

Mr B. Ward: Holiday Inn is aggressive.

Mrs Dozzi: Maybe it is because they are driving from North Bay to pick up beer. We have had this huge issue in northern Ontario about northern Ontario draft beer shortages. Our director, Don Johnson, in Thunder Bay, with the hoteliers, is transporting beer from Powassan, keg beer from Molson's and Labatt's, up to Thunder Bay. Maybe that's why.

Mr Kwinter: Have you done any studies as to the drop in foreign conventions that have cancelled as a result of what they consider to be uncompetitive pricing?

Mrs Dozzi: Well, from the Metropolitan Toronto Convention and Visitors Association, last year 16.7 million tourists visited Toronto, 500,000 fewer than the year before and the Metropolitan Toronto Convention and Visitors Association is not expecting the shortfall to be made up this year.

Personally, I do not think in the north we get a lot of foreign conventions. Your big foreign conventions are happening in your downtown Toronto hotels. The best ones to answer questions like that would be people like Michael Beckley and people like Ray Jacobi from the Four Seasons and Klaus Tenter from the Inn on the Park. They are the ones who are so concentrated on the accommodation industry.

The Hotel Association of Metropolitan Toronto's biggest thrust right now is to worry about and be concerned about filling their properties. Their properties are down, they are suffering greatly, as you can see the competitive pricing they are putting in. There is no GST any more on foreign conventions. That was one thing that Mr Hockin was kind enough to grant, the fact that if you are booking a foreign convention and most of your conventioners are from foreign countries, whether they be European or Asian or American, there is no GST, thank goodness, on those conventions.

According to this article that I read in the Toronto Star, says here: "Despite an aggressive marketing campaign launched this winter by the Toronto convention bureau in which the bureau guaranteed that prices on rooms and facilities would cost less than comparable rooms and facilities elsewhere in North America, the number of convention bookings by the association this year has jumped to 651," which is not a great drop from 666.

Mr McLean: Just a short question. Mrs Dozzi, you had a tough year to be the president of your association, I know the association well and it does good work. The question I have for you is, in Sudbury, what is the difference in vacancy rate this year from last year?

Mrs Dozzi: The vacancy rate in Sudbury, to tell you the honest to goodness truth, is not down a great deal from last year. I think we are off maybe 5% or 6%, but not a great deal. Sudbury has been a lucky community. I feel that Sudbury, as you well know, has really not felt the recession. You must have heard that, and it is true. We have not really felt the recession. The recession, what we have felt, started maybe in March of 1990, but it was so gradual and slow that we did not feel the huge impact that smaller communities, like in southern Ontario, that are totally interested in manufacturing, have felt.

Inco is pretty powerful and strong right now. They are doing a lot for the environment. They are still a great employer. No longer can Sudburians depend on just International Nickel for their livelihood, but because the region has so diversified itself and our chairman and our council are continuing to try to diversify this region, I feel that Sudbury has been very strong.

My fellow hoteliers, in the last three to four weeks, have been complaining. We do not see many tourists, and as we see are, lots of them, travelling in the motorized trailer homes. They seem to stop only when it rains or because they get tired of driving. We have had such a wonderful summer, yet they are not stopping.

A member of Parliament told me once that this is what Sudbury is like. Sudbury takes six months to fall into whatever you are falling into, and then it will take you another six months to catch up once everybody is caught. Whether that is true or not, it seems to be true. It is only in the last three or four weeks that I hear them on the phone, or when I call or they call, "How are things?" Well, it's pretty bad right now." But it has not been so bad, it has been the last three or four weeks really. I cannot say what September or October is going to bring, but we do not see a lot of those American dollars crossing our desks any more. They are just not there.

Mr B. Murdoch: You mentioned Sunday shopping in your brief, and I was just wondering again what your thoughts were. Would the government be better out of the whole deal and not regulating it, or do you think the—

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Mrs Dozzi: I wish the government had not done what it has done, sort of thrown it back to municipalities and even mentioned chambers of commerce. They have these seven guidelines they are to follow to designate tourist properties. I was in Niagara Falls a couple of weeks ago and our

director there said, "At one time you thought of tourism, you thought of Canada, you thought of Niagara Falls." You can go to Cobalt and they want to be a tourist destination now, because the tourist dollar is important to them.

I wish the legislation had come right from Queen's Park and had stayed there. I think under the Liberal government we had open Sunday shopping and that is where we should have stayed. It was light-years ago when you could not go to the movies on Sunday. Do you ever think about not going to movies any more? You think: "This is crazy. Whoever thought of not going to a movie on a Sunday?" Why can you not shop? Have you ever shopped on a Sunday? Have you ever gone to the States and shopped on a Sunday, or anywhere else? I do not think you have to be open from 9 in the morning until 9 at night, but you could be open from 12 to 5.

The Chair: I want to thank you for your presentation and for appearing before the standing committee on finance and economic affairs on the budget review.

CRISIS HOUSING LIAISON (SUDBURY)

The Chair: The next group we have is the Crisis Housing Liaison, Mr Barry Schmidl. You have one half-hour for your presentation and at the end of it a question and answer period from the three parties. I would like to welcome you to the committee. Please proceed with your brief.

Mr Schmidl: This is a copy of the statistical tables I will be referring to.

Mr McLean: Have you got a copy of that?

Mr Schmidl: Yes. I will pass that out to the folks afterwards.

Mr McLean: It would be nice to follow through this.

Mr Schmidl: If the committee would like it now, I can give it to you now.

The Chair: Some of the committee members like to make notes beside some of the comments.

Mr Schmidl: Fair enough, just so long as I do not catch anyone following with their fingers.

I would like to thank you for this opportunity to present the views of Crisis Housing Liaison (Sudbury) on the proposed provincial budget, and particularly on its housing and social services aspects. I have been informed that there is a time limit on my presentation, so I will attempt to be brief and to the point.

Allow me to begin by introducing the organization that I represent. Crisis Housing Liaison (Sudbury) is a non-profit organization which provides assistance to people in need of housing. The primary service currently offered by the agency is a housing registry program. This program consists of a computerized listing of all available rental units in the regional municipality of Sudbury. These listings are given to families and singles who register with the program. In 1990 a total of 1,353 families and singles looking for housing used this service.

Using the registration information given by our clients, statistics are compiled by the agency on a quarterly basis in order to secure and maintain funding for the program. The statistics also provide useful indicators on the impact that the lack of affordable housing has on people's lives. I

will be referring to these statistics through my presentation in order to demonstrate the rationale for our position.

Sudbury, and indeed large parts of this province, are in the midst of a serious housing crisis. Vacancy rates in the Sudbury region, consistently around or below 1%, demonstrate that. Crisis Housing Liaison's statistics illustrate the situation quite well.

Table 1 in the package that has been distributed to you shows that over 42% of the clients coming to our agency in 1990 were living with family or friends or in a temporary shelter of some sort or on the street. In actual numbers, this means that 574 clients did not have a place to call home when they came to see us last year.

We are not talking here of only the stereotypical and incorrectly portrayed street person who does not hold a job and has many social problems. As you will see in table 2, the largest single source of income for our clients was a job.

As you will see if you look at table 3, over 60% of our clients were families. Please keep in mind that when we refer to a client, we are talking about a single person or a family, not the number of individuals served. Each family client represents about three people. Children were a significant part of the 42% of our clients who were homeless in 1990.

My purpose here is not to take up the committee's time by arguing that we are in the midst of a serious housing crisis. Any rational human being can see that this is the case. To disagree is to show that one has one's head in the sand. Rather, I pass along this information to you to show the depth of the crisis that we find ourselves in. It is a crisis that the provincial budget is helping to fight. It is for that reason that we support it.

Economic security is something that many people in Canadian society lack. Quite simply, paying the bills is a problem for many people. This is not through a lack of financial skill or through wasteful spending; it is because money taken in does not always equal the amount that has to go out. When the major expenditure each month is that which keeps a roof over your family's head, it is a serious concern for someone who may not have the money this month. If my choice was paying the rent or feeding my 10-month-old son, I know what my decision would be.

One of the major threats to tenants in the present housing crisis is the amount of rent charged. Generally speaking, the more affordable the unit, the less likely it is to become vacant. Why would you want to let an affordable place go unless it was in poor condition or you were overcrowded?

If you refer to table 4, you will see that the average rent of vacant units generally exceeds the average rent of all units, vacant or occupied. In the case of two-bedroom units, it is by \$130 and by hundreds of dollars in the case of three- and four-bedroom units.

This would not necessarily be a bad thing if people were normally able to pay these rents. If you refer to table 5, however, you will see that this is not necessarily the case. In order to pay 30% of your income for the average vacant two-bedroom unit, you would have to earn \$23,680 a year. This is not a princely sum by any means and is certainly within the range of many. However, if you look at the average personal income for a woman in Sudbury you will

see it is only \$11,518. Consider what this means for a single mother with two children who works for minimum wage and is receiving social assistance. This is by no means an extreme example. A full-time minimum wage job would earn only \$11,232 a year based on 40 hours a week and \$5.40 an hour.

I am not here to talk about rent control—I did that last week in this room, actually—but rather about how the provincial budget affects those placed in the situation I have just described, that of families having to deal with low vacancy rates, high rents and low incomes.

The government has pledged in its budget to build an additional 10,000 units of affordable co-op and non-profit housing across the province. If there is one item in the budget that most helps to alleviate the housing crisis that Ontarians find themselves in, I would say it would be this one. The 10,000 units combined with the regular allocation under the federal-provincial non-profit program and the reallocation of Homes Now program funds for the quick start process should allow for 35,000 units of affordable co-op and non-profit housing to be developed this year. Of these 35,000 units, a majority will be rent geared to income.

While these 35,000 units will not solve the housing crisis in this province, they will be a large step towards it. A study performed in 1988 stated that the Sudbury region's housing supply problems would be largely alleviated with the construction of an additional 1,000 units of affordable housing. If the region receives its fair share of the 35,000 units based on its population, which is about 1.25% of the Ontario population, then 437 units of affordable co-op and non-profit housing will be constructed here. We will be watching to see whether the 35,000 units come to pass and whether they are shared equitably with the Sudbury region. Assuming they are, these units will deal a major blow to the crisis in housing supply in the region.

Housing supply is only part of the housing crisis and only part of the problem for low-income earners. Even assuming you live in rent-geared-to-income housing, your grocery bill and the cost of your children's clothes are not geared to your income and still have to be paid for.

The budget helps low-income earners in several ways. The \$215 million set aside in the budget for social assistance will help individuals in genuine need and municipalities overburdened by high welfare costs; the \$50-million enrichment of the Ontario tax reduction program will lower or eliminate Ontario income tax for over 100,000 low-income earners, making the total assisted by the program 700,000 in 1991. The number of subsidized child care spaces will be increased, allowing more single parents to get a job and get off social assistance. A \$53.8-million provision will create 5,000 subsidized spaces and increase the salaries of chronically underpaid child care workers. Another \$5 million will create 400 new spaces on Indian reserves.

It has been said many times that the best form of social assistance is a job. One of the reasons we support this budget is that it helps retain jobs for people and creates more. This budget will create or maintain 70,000 jobs in this province. Of that figure, 20,000 will exist because of the added 10,000 units of affordable non-profit and co-op housing.

Tens of thousands of jobs have been permanently eliminated in the last year or so of recession. This recession is

h worse than the one of the early 1980s. In 1990, 65% permanent layoffs were a result of partial or complete closings, whereas in 1982 the figure was only 24%. It is clear that these jobs are not coming back and a provincial budget that does something to maintain and create jobs is welcome.

The federal government's cuts to established programs including and Canada assistance plan transfer payments come to \$3.6 billion in the 1991-92 year and would cost thousands of jobs in this province if the provincial government had not acted to maintain them. If the people of Ontario now owe more money on the provincial debt, it is because that debt has been transferred from the federal government through EPF and CAP cuts. We will end up owing about the same amount, and thank God we have a provincial government that has the sense to maintain health and social services jobs when the federal government does not.

Why are jobs and the deficit such an important part of the presentation on the housing and social services aspects of the budget? Because the services provided by people who would have lost their jobs due to federal cuts are those that low-income earners use; because when jobs are lost, the people who lose them are often low-income earners, and many who were not end up as such, and as social assistance recipients; and because job creation, job training and social care initiatives in the budget are geared to allow people to get off social assistance and into education and the job market, helping low-income earners increase their opportunities in society.

In conclusion, I would like to say the provincial budget is a positive budget for those caught in the housing crisis for low-income earners. In addition, it is the most passionate and fiscally responsible response to federal cuts, the recession and the problems they have caused and intensified for low-income earners.

Thank you once again for the opportunity to make this presentation to this committee and I look forward to your questions.

Mr Kwinter: On a point of order, Mr Chairman: The hon. member has one spelling for the presenter and his presentation and another. Could he just clarify what the correct spelling is?

Mr Schmidl: My name is spelled Schmidl. I spelled it right; you spelled it wrong.

Mr Kwinter: I just wanted to make sure who was right and who was wrong.

The Vice-Chair: That will be officially noted on the record.

We are going to start with the official opposition. Mrs. Sullivan.

Mrs Sullivan: We had a presentation this morning from the Northern Ontario Regional Co-operative Housing Association which discussed many of the issues you have raised in relationship to the provision of co-operative and non-profit housing. I noticed in your brief you have suggested that if the Sudbury region gets its fair share of co-op housing, 437 units would be built here. They indicated this morning under questioning that for the entire

area, the 18 co-ops that are served through the Northern Ontario Regional Co-operative Housing Association, they have had indications that 300 co-operative units will come their way. That is what they told us this morning. We might want to follow up, just to be certain.

I am very interested in your strong support for the budget, in relationship to the housing issue, because there are a couple of things that are absolutely critical to the provision of co-operative, non-profit or any other kind of housing that were left out of that budget. One of them was additional sewage capacity and one of them was provision for a speedup of the approvals process to ensure that serviced land comes on stream earlier so that in fact we can get the units built. I wonder if you would comment on those two things which, it seems to me, were significantly left out of this budget.

Mr Schmidl: I can comment on the second one in somewhat more depth than I can the first one. I know the Ministry of Housing is presently undergoing a consultation process regarding the whole non-profit and other housing systems. Certainly in the response that Crisis Housing Liaison is making to that green paper, the two green papers, we are suggesting some changes regarding the zoning process and speeding up approvals, that sort of thing. I do not know exactly what impact that would have on the provincial budget, so I cannot comment on whether it should have been included or not, since I do not know what financial—

Mrs Sullivan: It would certainly have an impact on the cash flow. But the other question relates to sewage capacity. I understand in this area most of the communities around Sudbury are at their limits in sewage and Sudbury itself is approaching its capacity on sewage.

Mr Schmidl: Are you talking about servicing to the actual sites where the developments would be built? I think the municipality is making non-profit and co-op projects pay for servicing to the site, so if this would have an impact on the budget, it would be—

Mrs Sullivan: If the plant is at capacity.

Mr Schmidl: Oh, I see, the total plant. I am afraid I do not know much about the capacity of the total sewage plant of Sudbury or whether we need an increase in the amount of capacity. I would hope that if the government were to be conducting a complete review of the housing system, especially as it pertains to non-profit and co-op housing, it would take that into consideration.

Mrs Sullivan: You should put it in your brief.

Mr B. Ward: He just did, by saying that.

Mr Phillips: I appreciate the focus on jobs and deficit in here. As you look at the budget, does it concern you that even as we head into "good times" we are still talking about unemployment rates in the 9% to 10% range as a result of this budget—not as a result of this budget, but that is going to be the output of the budget. The number of unemployed people probably will continue to be at an all-time high for the next two to three years. What impact does that then have on your housing demands?

Second, I know you mentioned federal transfer payments. As you probably know, about 10% of the revenue for the province comes from federal transfer payments.

Mr Schmidl: They are a significant portion, yes.

Mr Phillips: Ten per cent of the revenue comes from federal transfer payments. I know it is fashionable to blame the feds, because that is neat, but even had they taken their transfer payments up 20% or 25%, that still would not have come close to making a dent in the deficit. I am just wondering if you are advocating that the federal government should be spending substantially more money or not.

Mr Schmidl: The federal government should live up to its responsibilities. I do not think they should cut EPF or CAP transfer payments. I believe the amount of the transfer payment that was cut was \$3.6 billion, or that which would have existed if they had not reduced—

Mr Phillips: They actually transferred the same amount of money this year as they did last year.

Mr Schmidl: Yes. Accounting for inflation, though, it is less in real terms, I would imagine. Inflation happens everywhere, even the government. Certainly the federal government has made it more difficult for the provincial government, as far as I can tell, to fund health, social services and education by not increasing EPF and CAP transfer payments. You say it is fashionable to blame the feds. If the feds were doing what they were supposed to be doing, there would not be any need to blame them.

Mr Phillips: I am just saying that last year they transferred 5.5 and this year they are transferring 5.5.

Mr McLean: Your brief was explained very well and I was glad to see that table along with it. That gives us a little bit of an idea. However, I really have only one question and I would like your comments with regard to the housing end of it. I do not know how much housing has taken place here in Sudbury, but the lot levy that the municipalities or school boards are allowed to add to the price of that home, do you feel that is a good policy?

Mr Schmidl: I feel that part of the budget should have been a larger increase in unconditional grants to municipalities. However, the lot levies act as something of a deterrent to development, I suppose, but I think you have to look at the amounts that are there. I know in the case of non-profit and co-operative housing, it is built in as a line item in the capital budget. It is a cost that is taken into account, just as are taxes on land before you start construction and interest on your mortgage, so I am not sure it acts as a really significant deterrent to development.

Mr McLean: What percentage of your co-op housing, the funds, goes to architects, consultants, people drawing up plans? What percentage would you estimate?

Mr Schmidl: Architects, development consultants, engineers, that sort of deal? I would say, generally speaking, less than 5%. In some cases, it might be as high as 7%.

Mr McLean: Do you have any idea what the average costs of your units are here?

Mr Schmidl: The average cost for a two-bedroom, or what is called the maximum unit price for a two-bedroom

town house is \$105,000 or \$110,000, and they go up, believe, \$5,000 for each additional bedroom.

Mr McLean: I know a development that runs about \$118,000 is the average price. The three-bedroom is subsidized by the province by about \$1,300, two-bedroom about \$800 and a one-bedroom by about \$500. That based on the residents who are in that residence. So for \$150 million we are talking about that the public will be picking up to keep those floating year after year is a substantial amount of money and I would have thought it could have built them for less money than it is costing us.

1620

Mr Schmidl: I do not want to denigrate the quality of any of the co-op or non-profit units that are built in the Sudbury area because, generally speaking, I think all the projects I have seen have been done quite well. However, there is a point at which you are not building a unit that will last the length of its mortgage, 35 years; you are building a unit that is going to fall down after 20 years. And who is stuck with the mortgage after that when you cannot occupy the building any more? The government of Ontario. I think they are built right now to last at least the length of the mortgage. If you start cutting back on the maximum unit price, and therefore on what is going to end up as the mortgage, to cut operating costs I suppose you are going to end up with units that become uninhabitable, no matter how well they are taken care of, after 20 years.

Mr B. Murdoch: I notice one of the other briefs you had today said there was not too much building going on in Sudbury in housing, especially in the private sector. I was wondering what your thoughts are on the rent control especially on Bill 4 and the rent bill that is going on right now. Would that have anything to do with cutting back on a lot of the building?

Mr Schmidl: You are asking, would rent control affect the amount of private sector building?

Mr B. Murdoch: I am just asking your views on because you are an expert on this kind of thing.

Mr Schmidl: I can best answer that by comparing it to the British Columbia experience, where there has been no rent control or rent regulation in effect for several years. Their vacancy rate situation is almost as bad as in Ontario. Indeed, there are a couple of municipalities that have the lowest vacancy rates in Canada, after Sudbury.

Mr Christopherson: Thank you for an excellent presentation. Particularly in light of the kind of assistance in which you are involved, in helping people in need of housing. I gather that would cover a fair range of assistance and not just one kind of assistance. You would be fairly familiar with all the needs of the individuals and the families you are helping. One of the statements you made in your presentation says, "If there was one item in this budget that most helps to alleviate the housing crisis that Ontarians find themselves in, I would say that it would be this one." Obviously we concur to the extent that this was one of the areas we expanded and were willing to spend new money on. We did not spend a lot of it. Most of the budget, as you know, was

er of keeping everything in place in light of cutbacks, nue losses and increased welfare assistance costs.

(In your own words, what kind of impact would you e seen on the people and the families you are trying to here in Sudbury, if we not only had not provided the ey for housing, but had not maintained the infrastruc- of social assistance and all the other safety nets we e in Ontario? What would have been the result on the ilies you deal with now if we had gone in the federal y direction, if you will, instead of the Ontario NDP ction?)

Mr Schmidl: I think it has been said that Sudbury is, has been, largely recession-proof. I think that would e, had the provincial budget not followed the course you e just outlined. I mean, the 10,000 units improve the ation considerably. The infrastructure you are talking ut would have been eliminated if the federal cuts had n passed on. It could have caused severe problems for e people of Sudbury. In fact, of the \$215 million for ial assistance, I believe \$25 million was aimed at mu- palities to take care of part of the welfare rolls. I do not ow how much Sudbury has received, but I think without e receipt of that, the municipality would have been in e significant trouble.

Mr Sutherland: Looking over your statistics here, u you give us some indication about seniors and hous- ? I know you did not break it all down that way, but ticularly just some of the policies here. I guess it comes of a concern in my own riding about seniors, widows, single people whose spouses have died before them nting to get into housing, living together in the housing, t there are some policies in place that seem to deter that. u you have any here in Sudbury? Are there any concerns t way?

Mr Schmidl: There is an aging population here the ne as everywhere else. I just heard somebody mention the me sharing program, which exists here in Sudbury as well.

Mr Sutherland: Oh, you do have one here.

Mr Schmidl: We see a fair number of seniors our- ves. However, I think our major population, in terms of ents served, is maybe between 18 and 35. That is the ajor client group we see, although we do see a reason- ly large number of seniors. Certainly, with the addition e the 10,000 units as well as the other units that would be rt of the ongoing program, that also eases the burden of niors' housing. When you build a seniors' project, that eans one person who is living in a house that is big ough for four or five people can move into a one-bed- om senior's apartment and let a family move into a ree- or four-bedroom house.

The Chair: Thank you for appearing before the standing mmittee on finance and economics on the budget review.

SUDBURY WOMEN'S CENTRE

The Chair: The next group we have is the Sudbury omen's Centre. Would you please identify yourselves for ansard at the beginning of your presentation. Welcome to e standing committee on finance and economic affairs. ou have one half-hour, and in that half-hour try to save

some time at the end for question period between the three parties present. Thank you. You may proceed.

Ms S. Roy: Hello. I would like to welcome the mem- bers of this committee to the Sudbury area. My name is Sharon Roy, and I am here as a representative of the Sud- bury Women's Centre. With me is Donna Mayer. We both serve on the steering committee of the Sudbury Women's Centre. I am glad to have this opportunity to express my own and my organization's thoughts on Ontario's most recent budget. That a public hearing such as this one is being held can be seen as a positive indication that our governments may be beginning to recognize the need for greater public input into how our affairs are managed. However, I am a little concerned with the costs these hear- ings must require. Perhaps in the future more cost-effec- tive methods of gathering public input could be utilized.

Indeed, the new focus on economic and social equity, as well as the plans to incorporate multilevel involvement into the budget-making process, are suggestive of a long- awaited change in attitude. Feminists have long promoted a flattening-out of the traditionally pyramid-shaped power structures which have governed both our personal and po- litical lives. The decisions to increase spending in order to aid abused women and to include input from MPs and segments of the public in the budget-making process indi- cate a willingness to round off the tops of our present hierarchical power structures.

While our struggle for greater equality has been under- taken chiefly to improve woman's position in society, we have not neglected to point out that every gain made by women has meant increased benefits for society as well. It is reassuring to see that the Ontario budget for 1991 clearly recognizes that economic and social equity are linked and that the government must therefore shoulder greater re- sponsibility for social as well as economic conditions. Measures such as decreasing the tax burden carried by low-income earners and single-parent families, and in- creasing the amount of money available to provide ser- vices for abused females, will go a long way towards improving women's economic and social wellbeing. As women benefit from these changes, so will society.

There can be no doubt that someone who is freed from severe economic hardship and/or abusive situations will be able to participate more fully in life than someone who is under constant and crippling hardship. For all these rea- sons, it is my opinion that the Ontario budget for 1991 is clearly moving in the right direction. However, as I will point out later on, it is important that we recognize this budget as only the initial step towards a more truly equita- ble economic and social arrangement.

Women's centres across the province, and indeed across the country, have given birth to other important community organizations, such as the Sudbury Sexual As- sault Crisis Centre, Women Across Cultures and Joujoutèque, the latter of which is a play centre and a parents' educational and support centre. Recently the Sud- bury Women's Centre successfully lobbied on behalf of Joujoutèque for a \$1.1-million grant, which has been uti- lized for extensive building renovations. Even more re- cently, our centre has been working on a health study

project to determine women's health care needs and how they can best be met. The ultimate aim of this project is to establish a steering committee which will oversee the establishment and subsequent operation of women's health clinics. Our involvement with Joujouthèque and the health study project are but two examples of how we act upon our commitment to working towards the amelioration of women's lives.

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Other services provided by the centre include a variety of clinics, information sessions and special workshops. For example, every month we offer a legal clinic which provides many women with their first contact with the legal community. We also provide valuable information and referral services and to this end we house a small reference library and keep track of all the various agencies, individuals and organizations providing valuable services for women.

Another important role played by the centre is that of advocacy, which includes everything from seeking information and services on the behalf of individual women to lobbying and preparing briefs. In addition, our co-ordinator is a trained social worker who can provide counselling and crisis intervention services when required.

Perhaps our most important function is as a provider of the safe and secure environment where women can meet and develop important support system. We make a conscious effort to maintain an open and welcoming atmosphere at all times so that women will feel comfortable. I believe we have been quite successful in our efforts, for our steering committee offers a wide range of women. We vary in age as well as in occupation, religion, nationality and economic status.

The biggest problem faced by our organization is the lack of core dollars. There have been several occasions in the past when the centre has been threatened with closure due to lack of adequate funding. Our commitment is as great as the need for our services, for somehow we have always managed to stay afloat. The need to constantly focus on where and how we can obtain necessary funding creates a great deal of stress for those involved with running the centre. This budget speaks about the need to take proper care of the people of our province and recognizes that money spent on education and training is an investment in our future.

Women's centres have long been at work changing societal attitudes towards women and re-educating women about their rights and their personal worth. We have, in short, been working towards creating a greater social equity and therefore greater economic equity. We are still working towards those goals and when they are reached, we will still be working to maintain them. Surely it is time that our government recognized our important contributions by awarding us the funds required to continue this work.

Women have been trying for some centuries now to convince husbands and wives, churches and governments that wife beating is neither a husband's right nor a subject we can treat lightly. A lot of us like to think that wife assault is a phenomenon which we have pretty much gotten under control. The truth is that for many women, wife assault is still a matter of life and death. As recently as 1987, 61.7% of all women murdered in Canada died as a

result of domestic violence. Those women who survive attacks can look forward to being 74% more likely to rely on sedatives and 40% more likely to take sleeping pills than their non-abused sisters. In addition, approximately 61% of the survivors will suffer from injuries that range in severity from bruises and welts to broken bones and internal bleeding.

We also like to think that we as a society are becoming more aware of these problems, yet studies indicate that an abused woman makes it to a hospital emergency room, the chances that the source of her injuries will be properly identified are only 1 out of every 25 cases. Why do these women not tell someone about what is happening to them? The explanation is quite simply that the psychological and emotional trauma suffered by assaulted women can be just as serious as their physical injuries. In 1982 it was discovered that a little more than one half of women beaten by their husbands did not report the incident. When they were asked why they did not, 52% of those women cited fear of revenge as the reason. Sadly, 59% also believe their abuse was a personal matter.

One of the most important roles of the women's centre has always been to inform women about their rights and to educate them as to their own worth. We also seek to change society's attitudes towards women. An important change that has surely been brought about by an increased awareness of sexual discrimination is a law that now requires police to lay charges against abusive men. We now recognize wife assault as a crime against society rather than as a crime against an individual or, worse yet, a husband's right or duty. And yet incidents of wife assault still occur with alarming regularity.

The Ontario budget for 1991 sees \$12 million earmarked for new shelter beds and enhanced services for battered women. The money is both desperately needed and greatly appreciated. However, emergency shelters and short-term counselling are often not enough. As suggested by the severe physical and psychological trauma these women have endured, as well as the possibility that they have been using prescribed drugs as a coping aid, women coming out of abusive situations stand a very good chance of requiring long-term support.

Safe and secure places such as the Sudbury Women's Centre can provide some of the ongoing support these women require, but recent work on the subject suggests there are women who often need intensive daily support in order to ensure a successful return to a productive and fulfilled life.

If the abused woman has children who were witnesses to or who perhaps also suffered from the abuse, her adjustment problems will be even greater, for her children will also require special care. A mother who has severe problems of her own is not likely going to be able to help her children deal with theirs, and yet her children's problems cannot be ignored.

Some studies indicate that between 40% and 50% of assaultive men witness wife assault during their childhood. Another study suggests that over 50% of young offenders were found to have been exposed to domestic violence as children. These numbers need not be so high. Proper counselling can change the attitudes which shape the lives of these

g people. In one residence, 25% of children thought it for a husband to strike his wife if the house was y, but after a period of counselling none of the chil- approved of wife assault for any reason.

he problem with existing approaches to the problem ife assault is that emergency shelters provide only rary housing, and counselling agencies often have a month to two-year waiting list. Research has indicated what is required is second-stage housing complexes h would provide abused women and their children both the longer-term counselling and the housing red to ensure their full recovery. While it is true that complexes would be costly, we should keep in mind he crime of wife abuse is one that already costs soci- great deal of money in terms of the human cost of the igned lives of the wives, the children and the assaulters selves. Can we really afford to continue to provide e people with inadequate services? Organizations such e Sudbury Women's Centre can and do provide such en with long-term, ongoing support, but we must look e government to provide the funds for the specialized ces that these women and their children so desper- require.

One of the most important services the Sudbury en's Centre offers is its telephone lines. Calls come t women requesting information or referrals to agen- that provide specialized assistance, or from women simply want to talk and to come in on a regular basis. Unfortunately, calls from women who require assis- e because they have been sexually assaulted also come our centre far too regularly. I say unfortunately because ite all the attention that has been focused on this issue despite all the money commitments that have been e in the 1991 budget, occurrences of sexual assault are ng way away from being eradicated. In 1989, there e 10,070 sexual assault cases reported in Ontario alone. udbury, there were 210.

The Sudbury Sexual Assault Crisis Centre reports that recent provincial government initiatives and increased get spending in this area have enabled the centre to ease community awareness among local women as to t constitutes sexual assault, what their rights are and t services are available to them. As a result, the centre been inundated with women seeking assistance. While ding has increased, there do not exist sufficient moneys ire the additional staff required to meet the increased and. Such funding must be granted or we will run the of seeing abused women unable to access the services y require, and overburdened workers unable to cope with sheer numbers of women requesting their assistance.

In addition, there still exists a great need for public cation. Of sexual assault victims, 62% still do not report r assaults. Studies indicate that women are failing to ort incidents because they believe police can do nothing ecause they are concerned about the attitude of police and irts. They also fear the risk of another attack. An alarm- number of women still cite fear and shame as a reason their failure to report their experiences. Clearly there l exists a need to educate and inform our professionals

as well as the general public. Such mass efforts cannot be embarked upon without considerable funding.

It is estimated that 27% of women experience rape or sexual assault at some point in their lives. The funds provided thus far to help this rather large segment of our population are an excellent beginning to facilitating the recovery of these people, but a greater commitment is required if we are to ensure that as many people as possible become healthy and therefore productive members of our community.

I would like to let Donna Mayer speak now.

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Ms Mayer: Equality is of course the primary objective of the women's movement. Achieving equality is a long-term goal which requires the co-operation of all sectors of society and the personal commitment of all individuals.

This government's budget addresses economic equality for women on two fronts. The \$125 million allocated to assist municipalities, school boards, hospitals and other agencies to further implement pay equity is crucial if the government is to continue to live up to its promise of pay equity. The \$24 million allocated for employment equity in the Ontario public service shows leadership in providing fair access to jobs for women, natives, disabled people and other socially disadvantaged groups.

Spending money on affordable housing makes a lot of sense to a lot of people. The benefits extend from the construction trades to the low-income tenant. Women and children stand to benefit a great deal. A recent study of unmet housing needs in the regional municipality of Sudbury showed that single-parent families were the largest group among the homeless surveyed. As well, of those homeless people over the age of 45 who were surveyed, the vast majority were single women.

Housing groups have described the affordable housing crisis which is happening in this community, but I will reiterate this for you. The vacancy rate for the private rental market has been at or below 1% for the last 10 years, well below the commonly accepted 3% level for market equilibrium. Furthermore, the vacancy rate for subsidized units has been virtually 0% for these past 10 years. That means the 1,900 subsidized units that are available in the Sudbury region do not become vacant very often. Right now the waiting list for these units is over 800 families long. The demand for non-profit housing is at a critical level in Sudbury. Commitments to build affordable housing must be made in significant amounts and on a continuing basis.

There were nearly 9,200 households receiving social assistance in the district of Sudbury last year. Since January 1991 the numbers have increased to peak levels, as we know. Forty percent of the recipients are children and many are single mothers. Living on social assistance is not fun. We can all nod knowingly about the humiliation and hardship as if we know, but the cold, hard facts are that social assistance levels are not enough to live on in this province. Last year in Sudbury, a single parent with two children received \$14,556 in family benefits. That is nearly \$3,300 below the poverty level. The cost of an average three-bedroom apartment in Sudbury would take nearly half of this

woman's income. If she had to go and find a new unit on the market, she would be paying 65% of her income for this house. Little is left for other life essentials like food and clothing, and it shows. The primary food bank in Sudbury feeds 350 families a month for a total of 700 men, women and children. The Catholic Charities Soup Kitchen serves over 200 meals a day.

The provisions for social assistance in the Ontario budget epitomize the sad state of economic affairs in this country. The cost of \$1.4 billion to add people to an inadequate and impoverished means of existence is a hard pill to swallow, but increased permanent unemployment demands immediate relief.

Had there been no recession, had there been no free trade, it is possible this \$1.4 billion could have been spent on social assistance reform. That would have been \$600 million short of what is actually necessary for proper reform as identified by the Social Assistance Review Committee in its 1988 Transitions report. Instead, \$215 million was allocated to social assistance reform. This will provide some relief but will not greatly increase the standard of living for the majority of recipients. Although the tax relief in the Ontario tax reduction program is a humane gesture, women and children on assistance will still be living below the poverty line. The \$1.4 billion for income maintenance is a legal and moral mandatory requirement precipitated by high unemployment. Social assistance reform is technically a discretionary expenditure, and the \$215 million allocated shows commitment to the overwhelming task of meaningful reform.

The government's decision to fight the recession as opposed to the deficit is a wise choice. The immediate economic consequences of high unemployment and decreased spending power weigh heavily on the poorest people of our province. Women and children make up the vast majority of Ontario's poor.

Measures to keep the economy functioning at a level which sustains current jobs and creates new ones are necessary to ease the impact of the recession on people's daily lives. As deficits rise both in Ontario and in Canada, it is easy to become alarmed. We should be alarmed but we should not panic. Panic leads to hysteria, which distorts perspective. Becoming obsessed with paying the deficit clouds the primary function of government, which is to provide essential services to its people.

The Sudbury Women's Centre believes people come first. There are many areas of the budget which we did not talk about. All of them are of interest to women, including health care, education and the care of our earth. The maintenance of essential human services is critical to the health and wellbeing of our communities. Spending in this area at this time is warranted. The social problems we are plagued with cost us greatly in both human and financial measures. The new spending on services such as sexual assault centres and shelters for battered women is certainly warranted. Spending here does not meet the need, although at this time it is a fiscally disciplined response to the problem.

Finally, the economic strategy of fighting the recession is imperative in order to keep people working at this vulnerable time. Personal economic stability plays a dominant

role in daily family living. An economically unstable home can be a terrifying place to live.

We appreciate having this unique opportunity to participate in the government's budgetary process. We hope the information you gather through these hearings is valuable, and, moreover, that it warrants the expense of such exercise. The cost of these hearings would pay the operating costs of the Sudbury Women's Centre for over 10 years. If you decide you do not need to go through the process next year, we would appreciate the money. Thank you very much.

Mr McLean: I would just really like clarification. Sharon, are you related to Marcel?

Ms S. Roy: Yes, I am.

Mr McLean: Do you work in the same office?

Ms S. Roy: No.

Mr McLean: You have separate offices?

Ms S. Roy: We do not work in the same area at all.

Mr McLean: I see. That is all. Your brief was very clear and precise. I have heard most of it before, but I appreciate your time to come here.

Interjection: To reinforce it.

Ms S. Roy: That is right.

Mr McLean: That is what it is all about, reinforcement.

Mr B. Murdoch: Just one quick question. In your budget for the women's centre, how much do you get from the provincial government, what percentage?

Ms S. Roy: I am not sure. The way our funding works, it changes constantly. It would be practically impossible to tell. We are funded mostly through projects. We apply for a variety of projects, which is where we get the majority of our funding, and then we raise funds on our own.

Ms Mayer: Our centre is 10 years old this year. Originally we had received a lot of our project funding through the Secretary of State, but through cutbacks with the provincial government to social assistance programs and transfer payments, we no longer get nearly as much money from Secretary of State for those programs. We have to turn to the province, through the Ontario women's directorate, for other project funding. So the reliance on the province has increased as we have been kicked off the federal payroll.

Ms M. Ward: Thank you for your presentation. I would like to ask you about older women. Someone this morning was commenting about the growing number of seniors in Sudbury, and I recall a couple of weeks ago in Toronto that a group making a presentation was talking about the "invisible senior." There is an image nowadays that seniors are becoming younger, that they are very active, mobile, they travel when they retire and so on. They were talking about the invisible ones whom you do not see because they cannot even afford bus fare. I think they predominantly tend to be women.

Your agency provides a variety of services, not just social. Should not say "just" because that seems to say it is not the importance it is, but not just assault counselling and so on. You have a variety of services for women, do you?

wonder if you could describe the needs you see for older women who are very often underhoused. If they're living, say, on a government pension, they probably can't even afford transportation and they are very isolated and probably not very demanding. Do you have any programs in place to reach them? Are you able to reach them? What do you see as the needs for the older women community?

Ms S. Roy: We do not have any specific programs in place for older women yet, but that certainly is something we need to look into. They are welcome to access any of the programs, like our legal clinic, for example. We do make attempts for those women who have difficulty getting to our centre. Because of lack of funding, it is not a very accessible place, and we do try to make arrangements to get women who require our services to the centre. They wish to be there. We also have a list of referral services, so if they need specific services they can call us and we can refer them to the agency where they can get help they require.

Ms M. Ward: I think one of the problems is that they can't access the service, and that is a difficulty. How do we reach the people to tell them that the services are there and to determine what services they need?

Ms S. Roy: We make a great deal of use of community advertising in the area through radio and television and the media to inform people about events. We also have door-to-door blitzes. We put posters up and we have activities going on. A lot of it is through word of mouth. We are associated with a lot of other women's organizations in town as well and we get the word out about our activities that way.

Mrs Sullivan: I was very interested in your presentation which seemed to me a succinct summary of some of the off-the-issue matters affecting women in Ontario today. I am surprised at the rapid embrace of the \$12-million increase in funding that is included in this budget. In my constituency, we are looking for a shelter. We have been very active in raising community funding for the provision of that shelter to meet very serious needs. To accommodate the purchase of that shelter in my community cost \$1 million. There is an additional \$12 million allocated in the budget. It is not very much, so I am quite taken aback when I see women's groups and advocates for women who are embracing this budget wholeheartedly without having a significant look at what the needs are.

Ms S. Roy: Excuse me. We did not embrace it wholeheartedly. I said it was a great start. It was a good start to us receive that money, but it is nowhere near enough. I pointed out that the emergency shelters themselves are inadequate, and neither are the counselling services that are being provided to women right now. We need more of that and we need more money as well. It is an initial step, but it is nice, but we have a long way to go yet.

Mrs Sullivan: Good. Are you part of the Decade Council? Does your organization belong to that?

Ms Mayer: Not exactly. That is northwestern Ontario.

Ms S. Roy: We network with them, yes.

Mr Phillips: Help me out a little bit on the budget, because in my recollection of the good old days when we were around, the budget had gone up fairly substantially in this area. It seemed to me each year we tried to allocate a significant increase, so it always offends me a little bit when I hear it is a start, when I would have labelled it a continuation. But just in terms of the last five years, the revenue that your group would have gotten from the province, has it been going down? What would it have been five years ago, and what was it last year or this year?

Ms S. Roy: I do not have exact figures, but I do know that it has been going up.

Mr Phillips: Up? From what to what?

Ms S. Roy: I do not have exact figures.

Mr Phillips: Are you the executive director?

Ms S. Roy: No, I am the president, but it does not mean a whole lot. We are not a hierarchically structured organization. We each do the best.

Mr Phillips: Who knows the finances, then? Is it you?

Ms S. Roy: No.

Ms Mayer: What you have to understand about women's centre funding is that we operate on a project-to-project basis. We grab whatever project is available to help operate the main service of a referral and information centre. There are no operating dollars for that available anywhere, so we have to grab what is available.

Mr Phillips: I understand that.

Ms Mayer: More and more in the last few years, there have been programs through the province for issues involving violence against women, sexual assault, employment equity, those sorts of things, and women's health, which is how we have tailor-made some of our goals to get what funding is available. So it has gone up in that we have applied for more provincial money because there has been less federal money available.

Mr Phillips: I understand that, but five years ago what might it have been? What was it last year?

Ms Mayer: We get about \$12,000 a year through the Ministry of Community and Social Services' community neighbourhood support program, which is money we are able to apply to our operating expenses and is not project-related and is given according to our own fundraising efforts. That is the most consistent funding we have received from the province, in addition to special project dollars through the Ontario women's directorate. Most specifically, we have been running kwon-do courses, which is self-defence for women, because it is a very direct way of dealing with sexual assault.

The Chair: Thank you for appearing before this standing committee on finance and economics and for your views on the budget review and your comments.

Mr Kwinter: On a point of order, Mr Chairman: The Sudbury and District Chamber of Commerce has attempted to get on this agenda. For some reason, they are not on it, but they are here and would like to make a brief presentation. Could I get consent to have them do that?

The Chair: We have one problem: We are leaving at 5:15. The taxis are out there for our flight back to Toronto. But how about—does everybody agree to five minutes? That is about all we have.

Interjection: Did they apply to the committee?

Mr McLean: Why were they not put on?

The Chair: Why were they not on?

Clerk of the Committee: They were not on the contact list.

The Chair: On the choices of who was going to be on, is that it? If we do that, we are going to change our flight plans.

Mr Sutherland: We did not hear from a chamber of commerce today, and if they can make their verbal presentation quickly—we obviously will not have any time for questions—then maybe we should try and accommodate them, since we have not heard a regional voice from that group today.

The Chair: Maybe we will not get a question period, but you have a brief?

Ms Warwick: Yes.

The Chair: Okay.

SUDBURY AND DISTRICT CHAMBER OF COMMERCE

Ms Warwick: It is very short, and I am a fast reader. My name is Jeanne Warwick, and I am president of the Sudbury and District Chamber of Commerce. For some reason, we were supposed to be on the agenda today, but we were not. I do not know what happened, and I feel we represent the business community here and we should be heard from. So if you will bear with me for two minutes, I will be real fast.

The Sudbury and District Chamber of Commerce, now in its 96th year of leading and serving the Sudbury area business community, represents over 1,000 businesses throughout the regional municipality of Sudbury, or, if you wish, employers.

Our membership encompasses both the multinational corporation and the small entrepreneur, but primarily we represent small business, the backbone of our economy.

The Sudbury Chamber of Commerce, along with many of its counterparts from throughout the province, has long been encouraging governments at all levels particularly federal and provincial governments, to adopt an attitude of fiscal restraint and responsibility. The April 1991 provincial budget, in our opinion, does not address this mindset and in fact does little to alleviate Ontario's economic woes. We would have preferred the government to set an agenda that provided an opportunity for economic recovery by restoring investor confidence in the economic future of our province.

While we are thankful the provincial Treasurer did not introduce any new taxes and, in particular, no minimum corporate tax, we remain unconvinced that this will not be introduced at some later date, and that in fact the corporate tax is a foregone conclusion. This is unlikely to inspire much-needed investor confidence.

The provincial budget sees government spending increasing by over 13% and the consolidated deficit to \$9.7 billion, up from \$3 billion last year. In our assessment,

these adjustments are unjustifiable and unacceptable. We see the province heading in a very dangerous direction.

To expect to be able to eliminate the provincial deficit within the next seven or eight years, as Mr Laughren proposes, is overly optimistic, in our estimation. One of the factors of our achievement of economic recovery is our ability to control inflation, and one of the keys is controlling the public sector wages. With the Treasurer's failure to implement any restrictions on public sector settlements, this picture does not look promising.

Visions of the provincial government rearranging deck-chairs on the Titanic come to mind. Rather, we would suggest that when the water is coming into the boat faster than you can bail, the most important thing to do is fix the hole. Without some solid and positive signals from the province that will restore business confidence and demonstrate the government is serious about creating a prosperous and sustainable economy, potential investors will look to other provinces and beyond for job creation and investment opportunities.

We heartily support the government's call for consultation on business and economic issues, and firmly believe that the business community must have a say in Ontario's economic future. Unfortunately the consultative process has been seriously lacking, and this provincial budget does not give us much indication that the government is listening.

The Chair: Maybe we can get one question, a short one, one minute.

Mr Phillips: I just have an observation. There is an attempt to balance the budget in seven or eight years. That will balance the operating. There will still be a \$6-billion deficit on the current calculation, so it is even worse than you think.

Ms Warwick: I have heard that rumour.

Mr Phillips: It is in the budget. I will show it to you.

Mr McLean: I will make an observation. There were no tax increases in the last budget. Your brief said there were none, but there were 14.

Ms Warwick: I am talking about corporate.

Mr McLean: Oh, corporate taxes.

Mr Sutherland: On the consultation process, the Treasurer and the Treasury have met with over 200 groups. The Premier has met with many, many groups. I think we need to categorize what we define by consultation. Consultation is meeting with groups, hearing what they are saying. It does not mean, in all cases, that groups are going to get everything they want. But this government has been consulting. The Treasurer has. This committee had public budget hearings where we heard from many different groups, including the Ontario Chamber of Commerce, so I do think that point needs to be stressed, that consultation is occurring on a regular basis.

Ms Warwick: Perhaps the chamber does not feel that way.

The Chair: I would like to thank you for appearing. As you know, if we stay on much longer, we will spend another night here in Sudbury.

The committee adjourned at 1702.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 15 August 1991

The committee met at 0904 in room 228.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: Good morning. We will call this committee order. This is the standing committee on finance and economic affairs on the budget hearing review.

TORONTO ENVIRONMENTAL ALLIANCE

The Chair: The first group we will call on is the Toronto Environmental Alliance. Would you come forward, please. Welcome to the committee. Would you please identify yourselves for Hansard when you begin. You have half an hour. In that half-hour make your presentation and reserve some time at the end for questions and answers between the three parties, which will be divided equally. You may begin.

Mr Coffey: My name is Gerard Coffey. I am representing the Toronto Environmental Alliance.

Mr Hartmann: My name is Franz Hartmann. I am with the Toronto Environmental Alliance. I guess we could say that at this stage we do not have a written submission. We are just going to read a few thoughts we have down and later on, once we get this typed up, we will submit it to the clerk.

First of all, the Toronto Environmental Alliance, or TEA, would like to thank the committee for giving us this opportunity to present our views on the Ontario budget. Before commenting on the budget itself, first of all we would like to congratulate the Treasurer and those involved in the budget process for producing the first budget for Ontario that consulted and listened to ordinary Canadians. The Toronto Environmental Alliance was one of many grass-roots organizations given the opportunity to submit a pre-budget brief and meet with the parliamentary assistant, the Treasurer as well as Treasury officials. We welcome this new openness and hope the Treasurer will continue to turn the budget-making process away from a business-controlled process towards a democratic controlled process.

That said, it is not surprising the budget has received much negative criticism. Our assessment is that most of this criticism has come from those circles in society which are threatened by a more democratically produced budget. As we believe, lies behind the obsession with the \$9-billion deficit. To be blunt, we think that Canadian corporate interests have made such a stink over the deficit, even though the Tories in Ottawa and the Republicans in the US have created much higher deficits, because they do not like a government that really responds to the needs of its citizens. We have been told by corporate leaders, over the last years especially, that Keynesianism is dead and that

monetarism is the only hope in fulfilling people's needs. The Tories have tried this approach federally. The result has been economic upheaval for an increasing number of Canadians, while US-controlled corporations flourish.

The people in Ontario voiced their opposition to this corporate approach, which was also essentially adopted by the previous Ontario Liberal government, and voted in a party that spoke about and promised a new approach. What we got was a different, better, but not quite new approach. While we acknowledge the necessity of resorting to a more traditional Keynesian approach in the short term, in the long term it will be as detrimental as monetarism.

Let me be clear on this point. We support the Treasurer's decision to increase government spending for necessary social programs; however, unless the NDP government is willing to combine this increased spending with a restructuring of the tax system so that large corporations pay their fair share, there will be no way of paying off the deficit. Working people cannot afford much higher tax burdens. Therefore, we support the budget as a positive step away from the failure of monetarism.

However, as environmentalists we must also note that there are some fundamental flaws in the budget as well as the underlying principles which were used to frame the budget. The most notable flaw is the notion that economic growth as defined by gross national product is a good thing. As any economist knows but rarely admits in practice, we live in a finite world with finite resources. If growth in the GNP continues, at some point we will destroy the very planet we depend on. Most people hope this point will not be reached in our lifetimes, but the reality of increasing environmental degradation, pollution levels and the greenhouse effect suggest we are closer to environmental collapse than we want to admit.

This said, we must kick the growth obsession. We must redefine what has economic value. This does not just mean incorporating environmental costs into price; it means fundamentally rethinking how to put value to various activities. For example, why is it that we put no value on ensuring the continued existence of an old-growth forest through labour-intensive management that most efficiently cleans the air we breathe, yet put high economic value on the creation of capital-intensive, as opposed to labour-intensive, automobiles that cause dangerous levels of pollution?

We understand there are no easy ways of redefining, let alone implementing, environmentally sensitive economic value. However, we are absolutely sure that it has to be done. The planet's health is deteriorating at a faster rate every day. We have no choice but to eventually stop the growth of all economic activity that causes the deterioration of the planet's health. We must move towards creating an environmentally and socially just economy.

How do we as a society go about this and how can the Treasurer of Ontario and the members of the Legislature contribute to this? The Treasurer has taken the first step in this direction with the 1991 budget. By rejecting monetarism and responding to the needs of Ontarians, he has also rejected the primacy of the market. The experience of working people throughout the province and the world has shown that while the market may be good at producing consumer goods, it is dismal at fulfilling more important health, social and environmental needs. With respect to the latter point, there is a fundamental contradiction between a market-driven economy that must perpetually expand to stay healthy and the needs of an environment that has finite resources.

The Treasurer must confront and rise above the failure of the market by moving in an alternative direction. He must resist in all ways possible the movement towards continental free trade. He must increase the prominence of social and environmental concerns in budgetary and economic decisions. Those who believe in the market and those who believe that only a US-dominated market can be the engine of the Ontario economy will obviously criticize and resist such a move by the Treasurer. They, of course, do not want to lose economic and political control, but we believe working people welcome an environmentally and socially just economy. By having workers intimately involved in the Ontario economy through, among other ways, community economic development and worker co-operatives, working people can not only create their own jobs, but ensure that their economic activity is good for the environment.

We therefore congratulate the Treasurer for tabling a more humane budget, but we also caution him not to be complacent. In the short term he must urge his colleagues to ensure the creation of a fair tax system. Meanwhile, he must begin the long-term process of restructuring the economy so that it is socially and environmentally just. Luckily for the Treasurer, there is no shortage of ideas out there about how to go about this. Ontarians have been putting them forward for years. The Treasurer has indicated he is willing to listen; now we are asking him to act. Thank you.

0910

Mr Kwinter: Thank you very much. I have a question for you. What gives you the idea this was the first budget that ever had some pre-budget consultation?

Mr Coffey: I do not think we said that. Let me just pull it out.

Mr Hartmann: There has obviously been pre-budget consultation in the past. I think this is the first budget, though, that has seriously canvassed and consulted and listened to ordinary Canadians and ordinary people in Ontario. I do not know when an environmental group has been asked in the past to submit a pre-budget document to the Treasurer, and TEA was asked.

Mr Kwinter: Mr Clerk, has that happened before? Have the environmentalists made submissions?

Clerk of the Committee: I believe to this committee they have, yes.

Mr Kwinter: I think virtually every time there has been a pre-budget consultation some environmental group has made a presentation.

Mr Coffey: Yes. Our understanding of this process was that it was much broader than previous consultation processes with many, many more people and many more organizations, including ours. We know we were not the only environmental group to make a pre-budget submission, but that was our understanding.

Mr Kwinter: For the record, I just want to tell you that the consultations were no more and no less than what have been with Liberals or Conservatives. It happens every year. In fact, this committee had consultation hearings. Unfortunately, I thought they were too late to affect the budget. I just want to correct that; I do not want to get into a great dispute with you. I just think you should know that this is the process, that environmentalists have made representations in the past and that it is nothing unique.

Mr Hartmann: I think there is a difference, though, between being invited to speak at this committee, and being more involved in actual consultation while the budget is being written up. I cannot comment on exactly what happened when the Liberals and the Conservatives formed the government. I do not have those details. My perception, and I think the perception of a lot of groups outside the government, is that this time around it was a bit more open. I think the government and the Treasurer, especially, should be given that credit.

Mr Coffey: Yes. I would also like to say that our information about the scope of the pre-budget hearings did not come from politicians, it came from people within the ministry bureaucracy itself. They told us that in fact the pre-budget hearings were much broader in scope than they had experienced before.

Mr Kwinter: I just wanted to tell you that, with due respect, your perception is wrong.

I would also like to hear your explanation of—I am quite amused at the double standard. I hear people decry the fact that businesses are closing down, that companies are moving, and why does the government not do something about it, because it has to keep these companies going, and on the other side, people coming in and knocking business and saying this should be a worker-based economy, workers should control their destiny, they should be able to create jobs.

Just exactly how is this going to happen? Are you suggesting that we should encourage all industry to move out of the province so that the workers can take control and make sure that the economy is stimulated by workers themselves?

Mr Hartmann: First of all, I do not like getting caught up in kind of the ideological dichotomy of either having workers control it or private corporations.

Mr Kwinter: I am just repeating what you said.

Mr Hartmann: That is not what we said, not in quite the same way. What we have seen throughout the last few years especially in Ontario and in Canada is that this dependence on corporations is just not working. Some people

think it works. We think a lot of people in Ontario know it, and their personal experience says as much. How many corporations have left Ontario in the last two years, since free trade has been here? Let's be real. The bottom line of a corporation, understandably so, is profit.

Mr Kwinter: And do you think that is wrong?

Mr Hartmann: I do not think it is wrong, but if it becomes the underlying motive of an entire society, I think it is wrong, because it means that the social needs of people, and, as environmentalists, the environmental needs of the planet cannot be incorporated into the bottom line. Experience, situation after situation, has shown that to us. What we are saying is that we know that corporations do not fulfil these needs, which does not mean to say that they should not exist or that we should tell all corporations to close, but we should realize that there are other ways of organizing an economy. One of those is by having the community control production and consumption decisions. I do not think that is anything very radical.

Mr Kwinter: Not if you are a socialist it is not.

Mr Hartmann: Not even a socialist. We say we live in a democracy, and I would think that part of everybody's democratic right is to have some say over economic decisions. That does not mean that they have to control every aspect of production and take over the means of production through the state. We are saying that people should have a more say over what gets made in their communities. It does not happen when corporate decisions are made in New York or in Tokyo or in Frankfurt or in London, that happens when decisions are made in communities, and at this stage we do not think that is happening. If that is considered radical or socialism or whatever label you want to put to it, that is your definition. To us, we see that as a fundamental right of any democratic society.

Mr McLean: Let's clarify one thing. You said that the process has been different, that you were invited this time. Who invited you?

Mr Hartmann: We received a letter from the Treasurer of Ontario asking us to give a pre-budget submission.

Mr McLean: To this committee?

Mr Coffey: Not to this committee.

Mr Hartmann: Perhaps we should clarify this. We are talking about in February.

Mr McLean: But now who invited you here?

Mr Coffey: Nobody invited us here.

Mr McLean: I thought that was the indication.

Mr Hartmann: No, not at all. We are talking about in February. While the Treasurer and ministry officials were putting together the budget, they asked us to give a submission about what we thought should be contained in the budget.

Mr McLean: The question I have for you is, what is it, an hour after a rain now the beaches are closed for a day?

Mr Hartmann: Right.

Mr McLean: I would like your opinion on what is causing that and I would like your opinion on what we are going to do about it and I would like your opinion on the

budget with regard to sewers. There is nothing in the budget for it, so let me hear your view on it.

0920

Mr Coffey: I see this as being somewhat off topic, because basically we are here—

Mr McLean: We are talking about the budget. There is no money in the budget and this is the budget process.

Mr Coffey: I understand that. We are not here to take apart the budget item by item and to criticize what is in it for sewage control, what is in it for waste management. I think those things have already been done fairly well. We are here to look at the macro implications of the kind of economic system that is being promoted by this and other budgets which have used different systems but, as we see, are moving towards the same basic end. That is uncontrolled growth, whether they are worker-controlled economies or whether they are corporate-controlled economies. We see that there are major problems with the kind of uncontrolled growth that is being stimulated in whatever fashion.

As far as your question about the beaches is concerned, it is obviously caused by flooding of sanitary sewers, and as far as we understand, it is not even going to be possible to totally separate sanitary sewers from storm sewage, although I think the city and Metro are working on it. To be perfectly honest, I do not have the figures in my head of what was allocated to that kind of thing within the budget, and it is not why we were here.

Mr McLean: That is not why you were here, to answer questions because of the budget?

Mr Coffey: No, we were here to make a submission and to tell you what we thought about the budget and about the major implications of the budget.

Mr Hartmann: Just on that point of what causes all the pollution in the lake, very simply, a lot of toxic pollutants are put into rivers and sewers that eventually flow into the lake. One of the reasons that is done is that it is usually a lot cheaper for manufacturers, and in some cases residents, to continue with practices that are polluting than it is to switch over to environmentally cleaner practices. The reason for that is often because they are forced to keep their costs down because they have to remain competitive. This gets back to the macro issue of, is the market an effective tool in incorporating environmental concerns? That to me is yet another example of where the market is not a successful tool.

Mr Sutherland: Welcome to the committee. As you have said, you met with Mr Christopherson and some Treasury officials in the pre-budget hearings.

You mentioned something about environment and economy in terms of the way the economy is established now and not working together. I am finding in my own riding, actually, that there are some businesses that are really finding that it is economically advantageous to be concerned about the environment.

One of my manufacturing firms did more or less a garbage audit. They watched their garbage bin dumpster for two weeks and figured out everything they were throwing out and then figured out what they could recycle. They also changed their paint shop. By putting on new nozzles

and adjusting the angle, they were able to reduce the amount of paint. They found that not only have they cut down on their garbage by about 80% and their excess paint by about that much, they have also cut their costs significantly. This is making them more competitive in the current economic setup.

What is your sense of finding that out? Does that seem to be a growing trend in the manufacturing sector and people are realizing the economic benefits of being environmentally friendly?

Mr Coffey: Sure, I think it is true. I think we should make it clear that we are not here to bash business. We are not here to tell people that they should get out of the country or to stop doing what they are doing. Let's face it. We have an economic system; it is working at the moment. We are just trying to point out some of the disturbing long-range trends that we think will be exaggerated as we move down this path.

But yes, I have seen lots of examples of people cutting down waste, doing it profitably, cutting down on the amounts of toxics that they use, recycling them. I think Pollution Probe put out a document quite a number of years ago, called Profit from Pollution Prevention, which was very successful. It pointed out how major industries, major businesses, could in fact cut down on their environmental impact and still make a profit, and make more money from it in fact. I think that is a growing trend and it is a valuable one and I think it should be encouraged; there is absolutely no doubt about that.

But as I said, to look at specifically—and I think this is taking a bit of a chance—the automobile industry, we know that automobiles are much more energy-efficient, they are much less polluting than they ever were, and will continue to become less polluting. But as the automobile industry grows worldwide, we will find that the gains that are made on an individual basis are wiped out on a global basis, because I think now the projection is that the world automobile fleet will double within the next 30 years.

That is the problem that we see coming up on the horizon. No matter how efficient we make the individual units, the actual push towards production and growth throughout the world economy is going to wipe out whatever gains we make, and that ultimately is going to lead to some sort of environmental collapse. We think that we have to start looking now at what the alternatives are. We do not pretend to have all the answers.

Mr Hartmann: May I make one more comment based on that? With respect to these small businesses that are not only doing things that are environmentally good but also profitable, to us I think those are examples of what we are trying to promote. It is usually small businesses that are fulfilling the needs of their community that are also the ones that are successful, and we very much want to promote those. We believe that is the future path.

But on the other hand, we also know that the market as a system is really problematic when it is used in a larger sense. I do not want to name particular corporations, but there are some big ones out there that are known polluters and they are going to say, "Hey, we would love to be more

environmentally friendly, but we've got to remain competitive and that means we can't put this huge amount of money into pollution cleanup equipment." When you get into the large scale, that is when problems occur, and that is why we are saying promote those sorts of businesses.

The Chair: Thank you very much for appearing before this committee.

Mr Hartmann: Thank you.

0930

ONTARIO NON-PROFIT HOUSING ASSOCIATION

The Chair: Would the Ontario Non-Profit Housing Association please come forward. Welcome to the committee. You will have half an hour for your presentation and if you can, leave some time at the end for questions and answers from the three parties, which will be divided equally. Would you please identify yourself for the purpose of Hansard.

Ms Kraus: I am Debbie Kraus, and I am the executive director of the Ontario Non-Profit Housing Association. With me today is our vice-president, Roger Maloney, and Mr. Maloney is also the commissioner of housing and general manager of Peel Non-Profit Housing Corp.

The Ontario Non-Profit Housing Association was established by municipal and private non-profit housing corporations in 1988 to build a strong non-profit housing sector and promote the production and management of high-quality affordable housing in Ontario. We have about 400 members from across Ontario. These members own close to 50,000 units and represent more than half of all municipal and private non-profit housing under management. Our members include a full range of housing providers including small, single, community-based, corporations in urban and rural areas and range to the large, multiproject producers in major urban centres in Ontario.

Our association made a presentation to the standing committee on finance and economic affairs prior to the budget, and the copy of our presentation is attached to the letter that you have received. At that time ONPHA stated that the lack of affordable housing is a major factor contributing to poverty in Ontario. We noted the insufficient supply of affordable housing for households with low and moderate incomes, and we stated that it was essential for the 1991-92 provincial budget to provide funding for the development of new non-profit housing units. We also urged the government to recognize the need for an ongoing non-profit housing supply program and recommended that the 1991-92 budget be the beginning of a predictable and stable source of funding at a level appropriate to meeting housing needs.

I would like to ask Roger to provide our specific comments on the budget.

Mr Maloney: ONPHA wishes to take this opportunity to express our support for the provincial budget announced by the Treasurer of Ontario in April. The budget shows that the government recognizes the urgent need for more affordable housing. Households across Ontario who were depending on the government to cushion the effects of the recession were offered hope. ONPHA believes the budget took the right approach at the right time.

the need for 10,000 more non-profit housing units is supported by the report entitled *The State of Housing Ontario*, which was released in April of 1991 by ONPHA, the Co-operative Housing Association of Ontario. A synopsis of that report was handed out to you this morning. The report identified an immediate need for the construction of 27,000 new units to create a healthy vacancy of 3%, as well as the need for a consistent supply of 14,000 to 16,000 rental units per year over the next two decades just to keep up with the projected population growth for Ontario. The report also stressed the need for more affordable rental units, as almost one third of all households, approximately 477,000 households, spend more than 30% of their incomes on housing. In addition, more than 100,000 households were identified on waiting lists to live in non-profit, co-operative and public housing. The problem is evident throughout Ontario.

ONPHA believes that the government has shown leadership by committing itself to spending funds on housing at a level free of financial constraint. The budget recognizes that housing is a critical factor in considering solutions to the province's housing problems in that the recession presents significant opportunities for the non-profit supply programs. The budget also recognizes that the development of new non-profit housing is critical in meeting the growing needs of people who have lost their jobs because of the economic downturn. The development and construction of non-profit housing is effective in creating and sustaining jobs in the building industry. Each new unit produced has a multiplier effect on maintaining jobs in related manufacturing sectors. As an example, a report was put forward by the Canadian Home Builders' Association in January of 1983, which is generally accepted by the various sectors as being right on target, which indicated that each new apartment unit generates 1.7 years of employment. So, that is a very significant contribution in working towards turning the economy around. The economic decline also means greater efficiencies in the overall costs of building non-profit housing at this time because of more competitive pricing in terms of land and construction costs.

In conclusion, ONPHA wishes to express support for the provincial budget. The budget demonstrates the government's commitment to assisting the growing numbers of people hurt by the recession. In our view the government has taken the right approach in committing itself to spending funds on housing even though we are facing a recession. The development of non-profit housing offers opportunities to create jobs in the building industry and related manufacturing sectors, and the economic decline means that more housing can be produced at this time at less cost. We look forward to working with the government to meet the housing challenges ahead. That is our presentation. We would certainly be prepared to answer questions.

Mr McLean: There are approximately 84,000 units in Ontario now?

Ms Kraus: There are 84,000 public housing units. In non-profit housing there are an additional probably about 10,000 units right now.

Mr McLean: What would be the average subsidy for those units last year, compared to—has it increased? You may have the statistics on this. I am just curious.

Mr Maloney: I can give you an example based on Peel Non-Profit's portfolio. It really depends on the targeting plan for the project. Until 1986, the projects were 75% rented to market people and 25% per cent rented to subsidized people, and the subsidy in our portfolio for one of those projects is \$307 a month.

Mr McLean: That is average.

Mr Maloney: Yes. The total economic cost of a particular project—I will give you an example, a 153-unit town house project. To operate the project, the economic rent for each month is \$927. The amount of rent we collect, on average, from the tenants is \$620, including when you average the market and the subsidy, so that leaves \$307 a month that is subsidized, and that particular project is subsidized totally by the federal government. Since then the approach has been to provide housing to people who need it more, so we provide more subsidies. I will give you an example of that. We have a project that we rented out about two years ago. It is 100 units and the economic rent without subsidies would be about \$1,400 a month. The average rent paid is around \$500 a month, so the subsidy is about \$900 a month. But 80% of the people in that project are receiving some type of subsidy, whereas in the old program it is only 25%.

Mr McLean: Is that the trend today?

Mr Maloney: Yes, definitely.

Mr McLean: And is it going to increase more? When it first started, I thought it paid for itself more or less, did it not? It was evened out. There was not much subsidy from the government. The high end helped pay for the low end.

Mr Maloney: In the first example I gave, that happens, and over time the subsidy decreases. In the one example I gave you, we believe within the next four to five years there will be no subsidy needed for that particular project. But since the situation has changed where we are trying to subsidize a lot more people who need housing, the costs go up.

Mr McLean: So in Peel region, which you are familiar with, what would be the average subsidy per unit?

Mr Maloney: I am guesstimating the average subsidy in the portfolio as probably around \$550 a month.

Mr McLean: I will pass for now.

Mr B. Ward: Our government has been criticized for the economic direction that we have taken during these tough economic times. We have been criticized by some groups and organizations and individuals that we should have paid attention to the bottom line and the sheets should have balanced out, that in fact we should have had a balanced budget or a massively reduced deficit rather than what we have incurred. They do not seem to put faces to the statistics. Part of our initiative was in housing, and we said we are going to maintain or attempt to maintain the health standards, the social programs.

You alluded to the fact land costs are cheaper and construction costs, because private sector contractors have sharper pencils during tough times. From your experience

in your organization, can you perhaps expand on that? We have heard from other organizations that now is the time to move ahead in social housing, because of these factors. Is that a fair statement in your experience, or is it just isolated in certain areas?

Mr Maloney: Maybe I will tackle it first. From a Peel experience, it is very true. The situation now is that we have developers knocking on our door with potential sites who would never talk to us before, and every day we have new people coming in saying, "I have a tract of land here that I would like to build non-profit housing on and work with you."

To give you a prime example of the cost, we were allocated some provincial land at Highway 10 and Highway 403 about three years ago. That is now coming forward for construction. We just tendered the project. The initial estimates were, just for the construction site, about \$50 million, because it is 500 units in four projects. We are working with the co-ops and Peel Non-Profit. We tendered that and the tender came in at \$38 million, rather than \$50 million, so that in itself shows how low the costs have come in, and it is related to the construction. The land is government land, so that does not take the land into consideration. So the construction costs are considerably down.

In the past we were having a very difficult time getting projects in at 100% of MUP, which is the maximum unit price set by the provincial government. Now projects are coming in the 90 per cent range consistently. So costs are definitely down.

0940

Ms Kraus: And that is consistent across the province as well. Sometimes it is even lower, maybe 80% of the maximum unit price. So it means that we can produce more housing at less cost.

Mr B. Ward: One other question. What would you say to the critics of the budget who say we moved in the wrong direction? How would you answer that criticism from your organization's standpoint?

Mr Maloney: From our organization's standpoint, we have to look at the demands, the need for affordable housing, which is very significant. Some of the points in our report definitely show the tremendous need. Also, we can provide data that show the costs have gone down significantly. Your own provincial staff have that, because they approve each project. They can easily look and see that it is consistently low, that land prices have gone down and that construction costs have gone down. So that type of concrete data as part of the situation that you put forward is saying now is the time to build non-profit housing, because when the condominium industry is booming all the good sites go to condominiums and we really get the residual sites that they do not want; those groups will not even approach us because they can sell their condominiums. But that situation and scenario has turned totally, and now is the time to take advantage of that because the costs will go back up. They are cyclical, and you get more bang for your buck now and produce the units now while the opportunities are there.

Mr B. Ward: And it fills the gap in the construction industry.

Mr Maloney: Oh, for sure.

Ms Kraus: If I can just add something: There are greater problems now and more demand for housing because growing numbers of people are losing their jobs. The demand is certainly increasing, and the fact that it provides jobs when a lot of people are losing their jobs is another important point for why we need the housing now.

The Chair: From the opposition party, Mr Phillips.

Mr Phillips: Just a comment on the previous comment. The debate around the budget is very difficult because it is like forecasting the weather. What we have been saying is we think the problem with the budget is it is not going to stimulate economic activity. We will only know that in a year or two, so you will probably be back here in a year. Maybe they are right, maybe they are not. But when you put the human face on it, and the unemployment rate now is 10%; it is probably going to stay at 10%, according to the budget, next year. So those are our concerns.

But my question to you, two of them to get an idea of what we should be thinking about providing in budgets in terms of the numbers of units per year—I was not satisfied from your brief what you would estimate we will need per year each year—I would say, over the next two decades, 15,000 rental units. But how many non-profit co-op would be required?

My second part is, the budget document on page 10 says, "In addition, we are announcing the provision of another 10,000 non-profit units, which will cost the province approximately \$150 million in annual operating subsidies when completed." I am just wondering what that means? Is that each year we should be providing about \$150 million per 10,000 non-profit units in our budget each and every year?

Ms Kraus: That is what that does mean. Those are annual operating costs.

Mr Phillips: How long does that go on?

Ms Kraus: Well, theoretically, it can go on for the life of the mortgage, which would be 35 years. But the costs go down over time as costs get paid off, the cost would be reduced over time.

Mr Phillips: But over a 10-year period should we be thinking about \$150 million per year per 10,000 units?

Mr Maloney: I think that is probably a reasonable estimate if the mortgage costs go down, and you have to remember that rents go up as well. It depends on the economy. If people are getting a lot of jobs, they will be able to pay more rent too, so the costs can come down considerably based on that. That is what my example earlier was trying to indicate. But when there is a higher level of subsidy, the costs cannot come down as quickly.

Mr Phillips: I am just trying to figure out how much money we should be thinking about. So each 10,000 units, \$150 million per year, and that is reasonable for maybe 10 years, but let's just say for the next 10 years?

Mr Maloney: Yes.

Mr Phillips: And how many units a year do we need providing?

Mr Maloney: We are saying 14,000 to 16,000 rental units. For non-profit, that issue depends partially on what the private sector is doing. Right now, they are not really building rental units other than that you have some high-rise condominiums.

Mr Phillips: I am told it is not affordable for them to build right now.

Mr Maloney: That is exactly the situation. That is what they are saying.

Mr Phillips: What would be your guess, maybe 100,000 per year?

Ms Kraus: That is probably about a reasonable number of units to plan for, 10,000 units per year. The other thing that is very important is that there be some predictability and stability so that groups can plan to develop 10,000 units per year, because it takes a while before the housing units actually come on stream. There is a great deal of planning that is involved. The more groups can plan ahead, the better they can take advantage of maybe good buys and we have a steady stream of housing coming on.

Mr Phillips: What I have in my mind right now is that we should be thinking about annual subsidies, each year, of \$15,000 a unit and, once the unit is built, for a considerable period of time, it is that amount of money. So if we build 10,000, we have to provide \$15,000 a year in subsidies each year.

Mr Sutherland: I just want to get an issue clear here. In the non-profit housing sector, co-ops, low-income, a lot of planning has gone into not getting them into the ghettoization of low-income people, yet there seems to be some controversy in terms of the fact that government money is being used to subsidize these units but you want to have a reactive housing development, a co-op housing development that is reflective of the community. You do not want it to be a low-income in and of itself.

I get people in my riding coming up to me and saying, "The government shouldn't be subsidizing people who can't afford to pay." How do you defend against that argument? What do you say to people who come to you with that argument in terms of trying to have a mixed housing development?

Mr Maloney: I can assure you we face that kind of opposition every time we build a project. Often we have to go through rezoning. I have been to meetings where we have a lot of people in opposition to us and that is exactly what they say. It is land values and it is, "Why are we spending money in this area?" First of all, they are concerned about the standards of our projects. We say, "Come and see our projects, see our projects." None of them is identified as social housing. They all blend into the community. We try to build small projects and integrate them.

The other aspect of what we say is: "These people you are talking about are often your wife, if your family splits up, your mother or your child. Where are your children going to live in Mississauga if the rents are \$800 a month?" Those kinds of statements bring them down to earth. Often

what happens is that the very people who are in opposition to us six months later are calling me saying, "Can you get so-and-so a unit for me?"

The other thing we do when we go out to those meetings is we try to take people with us who were either in opposition prior to that or else people who are going to live in the project, saying: "What's wrong with me? I'm working, I have two kids. My husband left me. I have no choice. I need a place to live." That is very effective.

Those are the types of things that we say to people. We spend a lot of time anticipating what is going to come to us. We get school problems, so we do the research to show what impact it will have on schools. We do property value studies. We provide that kind of information. What we have to do is anticipate their questions and deal with them effectively in a public forum. Those are the types of things that I think would be useful to you in speaking to someone about it.

Mr Phillips: Again, I am anxious on the numbers. Right now there are about 50,000 units in the province, I gather, of non-profit co-op housing.

Ms Kraus: It is closer to 100,000.

Mr Phillips: I just added up your numbers here. So as we add 10,000 a year, we are adding \$150 million a year to the budget. I guess that is another reason why your success depends, in our opinion, on strong economic growth, because those are substantial amounts of money. A year from now, I guess, we will be meeting again and hearing how successful the budget has been, not just at spending the money but at creating activity. As I say, your success hinges on both of them, the government's intention of spending but also the government's intention of raising money. At an incremental \$150 million each year, that is a big chunk, I think you would admit.

Ms Kraus: Although the amount that has been spent on housing is only 1.5% of the total provincial budget. I think this year it went up slightly to 1.7%. As part of the whole budget picture, it is quite a small percentage.

Mr McLean: In 10 years then, what would be the cost to the budget of subsidizing 200,000 units, in your estimation? You are running at \$15,000 a unit now.

Mr Maloney: Our view is that the cost will go down in 15 years. Our portfolio shows that because of a couple of factors. First, rents go up, because people's incomes go up and our market rents go up each year. If we can maintain our costs at a reasonable level, over time the cost should go down and the amount that comes from the federal government and the provincial government goes down. Certainly under the old programs, which we have a lot of experience with, we can show that dramatically. Under the new programs, they are so new that we have not had the 10 years' experience; we have had only about three years' experience. But our view is that they will go down over time. They certainly will not go up.

Mr McLean: But you are bringing more units on stream.

Mr Maloney: Yes, bringing more units on stream. They will not go up because it is a permanent supply of

affordable housing. There is no profit margin in there to have to jack the costs up further, from that perspective. We are creating a permanent supply and the cost will go down over time.

The Chair: Thank you very much for your submission to the standing committee on finance and economics on the budget review.

This committee will recess for five minutes because we are ahead a little bit.

The committee recessed at 0953.

1000

PROVINCIAL BUILDING AND CONSTRUCTION TRADES COUNCIL OF ONTARIO

The Chair: I call the committee to order again. We are going to call on the Provincial Building and Construction Trades Council of Ontario to come forward, please. Welcome to the committee. You have a half an hour totally, for a presentation and a question and answer period in that time, if you can leave some time at the end. Would you please identify yourselves for Hansard. You can begin.

Mr Duffy: My name is Joe Duffy. I am business manager and secretary-treasurer of the Provincial Building and Construction Trades Council of Ontario.

Mr Majesky: My name is Wally Majesky. I am doing some work with the building trades council.

The brief is 16 pages. We are going to read some of it, some of it we are going to skip over and with some of it we are going to do ad hoc stuff. It is fairly obvious some of the things in the brief—probably most of them—were in fact covered by the Toronto-Central Ontario Building and Construction Trades Council. The difference is that this provincial building trades council represents 100,000 construction workers across Ontario. This is in the industrial, commercial and institutional sector and the residential construction sector, so this building trades council is substantially bigger and is the provincial one.

The building trades in Ontario have faced a devastating economic climate which is worse than the recession in 1982. In fact, there is a very stark difference in terms of how the federal government has responded to the recession. In 1982, the federal government took a very proactive role, through government-sponsored projects, which, compared with the present Mulroney Tories, demonstrates a very glaring insensitivity to the needs of construction workers in 1991. The sad fact is that although many critics are claiming that social assistance is being abused, we can proudly point to our members and claim they would rather work than collect social assistance.

Just digressing for a point—I think I talked to some of the members, and many I know personally—the building trades are really in a situation they have never been in before. We are seeing in the Toronto area people who have probably never been on social assistance—the labourers, the people who do not have the kind of cultural thing, Portuguese Canadian and Italian Canadian workers. So aside from not wanting to be on social assistance, the political reality is there are hundreds of people on social assistance for the very first time, which quite frankly is a very frightening aspect.

Our council has strongly endorsed the budgetary measures undertaken by the NDP government and can say positive things about how some of our members have been put back to work through various capital programs announced by this government.

Quite frankly, we are very disturbed by the chorus of criticisms which are intended to spook the public into believing that the NDP is unable to govern the finances of this province. These criticisms are being levelled by industrialists like Conrad Black and others, decrying the policies of an NDP government.

Second, we are disturbed by the psychology of fear being manufactured about the deficit. It is kind of ironic that business heroes like Bob Campeau were seen as visionaries by the business elite when in fact Bob Campeau was a foolish entrepreneur who blew his brains out trying to go on the American market and show how well he knew things.

We are very sceptical about the current criticism levelled against certain segments of the media and federal and provincial opposition parties. The sad fact is that the NDP government came into office when the economy was sliding into a recession; in fact when the revenue side of the fiscal picture in Ontario was depending on the bookkeeping assumptions of the previous government, in the order of somewhere around \$2 billion. In addition, the economy has been on a further slide, which has been compounded by the federal government's high interest policy, the C-11 and the disastrous free trade agreement, which has caused more havoc in the economy than in recent memory.

The NDP has been derided for making budgetary decisions in favour of working people, just people in general. Clearly, this government could have cut back on government funding and plunged the province even further into the recession, which already is in a disastrous state. The NDP could do the responsible thing and try to kickstart the economy with some badly needed infusion of government money to crucial segments of the Ontario economy, which is exactly how previous Conservative governments, like Bill Davis's, responded to the recession in the early 1980s.

We, as building trades people, are proud to support the \$700-million anti-recession program which, when combined with local municipal government agencies, will total somewhere in the vicinity of \$900 million. For your information, the \$700-million program is presently being implemented, resulting in the creation of thousands of unionized jobs: water, sewer mains, a whole bunch of things. The fact of the matter is this translates into real live jobs. Whether it is this government or any other government, these kinds of measures are important for building trades people in Ontario.

It is fairly obvious that 57 economists, led by Mr. Watkins, have clearly endorsed the economic initiatives of the current government. There is no question that someone is going to say, "Well, what the hell, these are left-wing economists and NDP activists and we want to be clear." But these people are economists, and they in fact have credentials that belong to their own selves. We have had some corporate spokespersons being very critical of the budget, whereas the Conference Board of Canada, not exactly prone to the postulating or fawning over the left-of-center

economic policy, was at least positive about the 1991 budget and Monte can come after us again in terms of what-
r. But there are people on the left and on the right who
think there are some very positive things about the budget.
We are not going to get into that. We are here to talk about
the positive things are and what it does for construction
workers in terms of real jobs.

When we look at the specifics of the Ontario government, we believe that it is both appropriate and timely to
discuss the role of the federal government, because we feel
that some of the major problems in Ontario are as a direct
result of federal fiscal and monetary policy. The Ontario
Home Builders' Association, when they were here last
week and the question was put to them, "What are some of
the problems of the home building industry of Ontario?"
It surprised me, quite frankly, and said very clearly that
probably the fault does not lie at the doorstep of provincial
governments but at the doorstep of the federal government.
They said high interest rates, the GST and lot levies.

When Mr Mulroney lectures Ontario on its fiscal im-
balance, we are left with a half-truth regarding the budget
deficit. The Tories cut back on health and education and
raised social benefit contributions at 3% at a time when
health care rolls have soared. The Tories neatly eliminated
about \$4.5 billion from the Ontario Treasury. That kind of
politics is both perverse and a gross distortion of the true
fiscal situation. In an abstract sense it is part of the blame-
the-victim psychology, and it is certainly an odd sort of
political hyperbole.

Without going into the thing, what we find kind of odd
is that the Ontario government had two choices: You could
either try to inflict pain on Ontario citizens in the name of
fiscal necessity, or you could attempt to act as a buffer and
mitigate some of the hardships during a grim period of our
economy. We believe the government acted in the interests
of Ontario citizens, who have already borne an excessive
burden of hardships by maintaining funding to essential
services while at the same time aggressively financing
necessary infrastructure, this being immediately tangible to
the building trades people.

At the same time when Ontario has lost its revenue
base, the Canada-US free trade agreement has virtually
decimated the manufacturing sector in Ontario at a loss of
approximately 240,000 jobs. This was further compounded
by the feds' slavish adherence to high interest rates and the
famous revenue-neutral goods and services tax. Sadly,
the federal government's policies have virtually stalled the
Ontario economy.

Ironically, the feds have generated more revenue with
the GST than the manufacturers' sales tax, all this within
the context that the consumption tax—GST—is paying off
handsomely for Mr Mulroney and will provide further
windfall revenues once consumer consumption rebounds.

That is the cruel reality in Ontario. Mr Mulroney and
company are literally sucking more money out of a de-
pressed consumer market and are contributing even less in
fiscal transfer payments. The bottom line is that the feds
have lined their pockets with surplus GST revenues at a
time when the economy would benefit from additional
consumer purchasing power and confidence.

I guess these are the kinds of things we find kind of
ironic in that here you have a provincial government and
the federal government doing things which, in fact, do not
particularly benefit the provincial economy. We are going
to talk about some things which we think are important.
The co-op non-profit housing has created jobs, quite
clearly, and we, as building trades, support that because,
ironically, not only does the co-op and non-profit sector
create jobs, it also creates jobs for entrepreneurs. When I
heard the previous presentation, these are private contrac-
tors who build it, so they in fact have business, and the
construction workers have business, so we find that is a very
positive thing. We can get into the whole question about
the subsidies or whatever, and I spent 15 years of my life
in the co-op housing sector, so I am quite willing to argue
why the co-op housing sector ideologically is a good thing.

The private housing sector also is very important, be-
cause one does not want to put the eggs in the basket of
just social housing and whatever. So the private market has
a very important role to play, and we clearly recognize
that. This government should look at the whole question of
a mixed economy. It is very important.

1010

When we were here last time we also heard the whole
thing about the land approval process. Quite clearly, that
has to be straightened out, because what is happening is
that the land approval process is stalling it; it is taking land
a hell of a long time to get on stream. It does not help
social housing; it does not help the private sector. It is
fairly obvious that that is something that has to be ad-
dressed. It seems to me that by the appointment of John
Sewell there is going to be some attempt—and it is not an
ideological argument; is it just a straight thing that is very
important in terms of being looked at.

We want to talk about something very briefly, which is
that we have long advocated something called a provincial
fair wage policy. Gerry Phillips knows exactly what it is. It
has been five years in the making. I do not want to belabour
the point about a fair wage policy. Clearly a provincial fair
wage policy is giving a level playing field to everyone
bidding on it. It has been five years in the review process,
started by the previous government and picked up. All we
are saying is that somewhere there should be some light of
day on a provincial fair wage policy, and we think it is
very important.

We urge this government to make sure that the provin-
cial fair wage policy is not only looked at—this is my
standard speech—but implemented and enforced. We think
it is very important. We think the wage protection fund in
fact will help the construction workers. Whether you know
it or not, many times people go bankrupt and people are
left holding the bag. So we think that is very much a fair,
innovative approach.

We just touch on the school boards because what we
find, ironically, is that there is a mentality out there where
local municipalities, boards of education and public utilities
think that because they have the right to award contracts,
the rationale is, "What the hell; low bidder." The fact of
the matter is that this government funds many of these
projects. Even in the private sector the water and sewer

main associations want a level playing field because, quite frankly, people use a labour component to make a profit. So once again, this awarding of non-union contracts is very important, and the provincial fair wage would address that. The low-bid deposit thing is in there too, and that is related to the provincial fair wage policy.

It is very fashionable, by the way, to say that Canada and Ontario are into the information society and information-sharing and are on the leading edge of technology. One of the things that never fails to amaze me is that I never hear the Japanese and the Germans talking about being on the leading edge. They make things like cars and they make a lot of other things, but we somehow cannot make manufacturing. If you take a look at the underpinnings of the two major powers in the world, it is not information-sharing; it is cars, heavy equipment and manufacturing.

So one should not cut adrift the manufacturing sector and get into this simplistic ideology that there are all those buildings downtown, there is information-sharing and we are into a service sector. Yeah, we may be. I will tell you, the Japanese and the Germans are also into some heavy equipment things. It is just an ideological pitch; one should not cut adrift the manufacturing sector jobs that pay \$14 an hour to serve hamburgers at \$4 an hour, if someone thinks that serving hamburgers in the service sector is that great.

That, in essence, is it. It is fairly obvious there are other things in there, but I think the brief attaches it. It affords an opportunity for you to ask Joe something.

Mr Christopherson: I would like to thank Mr Duffy and Mr Majesky for your very articulate presentation this morning. It is interesting that many of the people who come in to offer support for the philosophical direction and economic reasons for the budget we presented talk a lot about the federal Tories. I think it is impossible not to when we look at causes of the recession and what has complicated matters for the provincial government as a whole.

I think it is also interesting to note that in yesterday's papers it was reported that the federal government's projected deficit may be wrong by more money than our entire deficit. So their miscalculation alone could be greater than the entire deficit we have budgeted for, and what are we getting out of that as Canadians? They have cut back on the social programs. They have gone in exactly the wrong direction than we have. Now it looks like they are going to have a deficit that is out of control.

We, on the other hand, are presenting a deficit that is meant to stimulate the economy, invest in the infrastructure, support people who need some help during a recession. We have a manageable deficit that so far is on target. I think that is the kind of message that these hearings are showing us. At least they certainly showed us that in the north, and they seem to be continuing that today.

In terms of the investment in the infrastructure, as people who are out there working in the communities across the province, you see more than anyone the actual construction activities that are happening in the real world. I would ask you, from your point of view, representing your members, how do you see the investment in the infrastructure

as putting Ontario on a firmer footing to respond to the changes in the global economy and our ability to compete.

Mr Majesky: It is fairly obvious, in response to the first question, that the infrastructure stuff is very important. It translates into very specific jobs. You drive around Toronto, to Orillia, to Thunder Bay, some of that stuff is very clear jobs. On the other hand, I am not fooling myself for the second that the infrastructure stuff puts us on some sound footing on a global basis. The infrastructure, \$700 million, gives people an opportunity to do the sewers, water mains. In the brief we did not say that the \$700 million is the be-all and end-all, but when you have 70% of your members out of work, that puts people back to work. I do not want to dodge it. I do not think I want to tie in the \$700-million infrastructure to what it does for our competitiveness on the world market, but in today's market, that puts people to work, and that is part of the thing that Joe has with his members. People are going and putting in this kind of stuff.

That is dodging it, and I am not quite sure how to address it. I do not think we have the time to tie that into the competitiveness and the global stuff, David.

Mr Christopherson: No, that is fine. Other people have responded that way to other questions, and that is fine. I am no expert in all these things and I do not expect anybody to be. I raised it only because we think it is important, because part of our strategy was that in the economy we are a part of, if we are not successful in the high value added—skills training, adding all those things that other countries cannot—then we are going to be in big trouble on the competition issue because then it is going to be a question of competing for the lowest standard of living.

Mr Majesky: You had better have another hearing because our track record collectively on skills training in this province and this country stinks. Probably one of the few which have any kind of credentials happens to be the building trades because of an apprenticeship program and a clearly defined program. If we had a nickel for every bunch of people who had talked about how uncompetitive we are because our workforce is not skilled—but that is another hearing and another time. At least these guys have the credentials to say they are not the ones; they are trained. You know what they are. They have an apprenticeship program. That is another hearing for another time, because I have some views on how well we are trained in terms of competitiveness. I do not think we do a great job, period.

Mr Christopherson: "A lousy job" would be a good description.

Mr Majesky: Any time you have to import bricklayers from Portugal, you must know that we have some problems. That is another thing that Joe wants, but that is manpower policy and that is something else entirely.

Mr Duffy: The importing of tradesmen does not need to be done for our industry. That is only—what do you call it—an economic problem that exists in this province where people who are unemployed in one part of the province cannot come to an area where there is employment because of the high cost of living. You cannot convince a carpenter or a plumber or a steamfitter or a bricklayer to come from Thunder Bay to take a job in Toronto and pay

high cost of living in Toronto out of his daily wage and two homes. He is better off—and I state this emphatically—to stay on unemployment insurance, if he has enough stamps to get it.

Mr Jamison: A very interesting presentation. You asked about the effect on the employment of the members your organization represents. What kind of effect have you seen in numbers? Do you have numbers attached to what it is meant to your membership?

Mr Duffy: I do not have numbers, but you had a presentation from the Labourers' International Union, Local 3. I believe they stated numbers to you. That is an organization that I believe six months ago had something like 10,000 people out of work, and now they tell me they have reduced that by about 20%.

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Mr Kwinter: Mr Majesky, I enjoyed your presentation, as I always do. It is always very thoughtful, very evoking. There seems to be a dichotomy and I would like to get your reaction to it. It is not your dichotomy; it is the fact. On page 14 of your presentation you say, "And more often than not, these are countries who have extremely cheap non-unionized labour which makes it virtually impossible for Canadian manufacturers to compete, and one only has to look at the current state of the Canadian textile and garment industry as well as the electronics and furniture industry, etc."

So on the one hand you are saying these cheap-labour countries make it impossible for Canadian manufacturers to compete, and then further on the same page you say: painfully silent on what the successful key economic factors have been in places like Germany and Japan. The political reality is that these countries are major players in manufacturing ranging from electronics to heavy equipment, to steel fabrication, to car manufacturing; in other words, all key manufacturing sectors." Now, by no stretch of the imagination can Germany or Japan be considered low-wage countries. They are highly unionized and highly competitive.

As I say, I just want to get your comments on it.

Mr Majesky: It is pretty obvious, Monte, we are not talking about the Germanys and Japan. Second, we probably have something in Germany and Japan we do not have in this country in terms of co-operation between the private sector, non-unionized sector and what have you. The reference here is to low-wage countries like Mexico, Malaysia or Singapore. Quite frankly, I do not think we will ever compete with those kinds of people. The only point we made in this is some sort of procurement policy to at least encourage buying of Canadian goods, which I gather under the free trade agreement makes it a lot tougher because that is, whatever.

I am the first one to admit that the Japanese and the Germans compete very well in terms of high wages, but on the other hand they have a whole different set of circumstances that we do not have. I am one who leans to the German model. But in Germany if I am a union person, I am a part of the decision-making process—not that I think you can import the German model for Canada. I think we should look at it.

I do not know how to answer that, Monte. This is in reference to those low-wage countries, and quite frankly I am one who thinks that the Mexico free trade agreement is a God-damned disaster. I am sick and tired of people telling me that a Mexico free trade agreement is in our best interest. In the first-flush results of the US free trade, my friend, I have not seen it. All I have seen is the going south, I have not seen anything coming north. So if someone says to me or to the construction workers that we have to compete with—I do not think we will ever compete, Monte. You were the Minister of Industry, Trade and Technology, and I just think it is very tough. I do not think we will ever compete, so I am not an advocate. I am not dodging it.

Mr Duffy: We in the provincial building trade have seen things coming north, American construction workers coming across the border under the free trade. We recently got it stopped through a change in the free trade agreement, where American construction workers were allowed to come into all parts of Canada and do work under what they considered maintenance and manufacturer warranty work, which was actually downright construction work. We had to go as far as putting a protest on in Windsor and also close down the Fort Erie Peace Bridge to get our point across to the federal government.

One of the problems with it was that the description of the work was not passed down from the government to the border-crossing people who work there checking immigration visas and stuff like that. We have recently got that changed, but what we have seen through the free trade agreement was American workers coming in. Specifically in the free trade agreement it was spelled out that Canadian construction workers could not go in under any circumstances to the United States. It was a deliberate loophole left in that agreement.

The Chair: One short question, Mr Kwinter or Mr Phillips.

Mr Phillips: I never thought I would see the day the labour council would be supporting a budget that calls for essentially 10% unemployment each year over the next four years. I guess my question really is around that—

Mr Duffy: Could I just answer that point?

Mr Majesky: Let him finish his question.

Mr Phillips: Thanks, Wally. I think that is what worries the critics of the budget, that we are going to see economic activity, not this year, but in the future in Ontario that will get people, as you call it, jobs, jobs, jobs. Is the council supportive of this budget in terms of getting economic activity going that will—or are you accepting that we are going to have to look at unemployment rates of 9% to 10% each and every year for the next four years?

Mr Duffy: To touch on your first point in regard to the 10% unemployment, I am afraid to say that if this budget was not brought in the unemployment would probably be a lot higher in the construction industry. And no, we certainly are not supportive of any kind of system that gives us high unemployment. One of the main points in supporting this budget is that we see a situation where we have gone to every government in this country, federal, provincial, municipalities, asking these governments not to

jump on stream when our economy is going up through the sky. We have asked them to get out of the business of jumping into putting on public work programs, to back off and wait until our—to eliminate the ups and valleys in the construction industry.

That is one of our major points of coming here today to praise this government. Another point, I would say, is that the construction workers know there is probably going to be a tax on all the people of Ontario. I am here to tell you for the construction workers, when we are working we do not mind paying taxes. We have never objected to the fact of paying taxes to support the governments that have been in power. But certainly we cannot sit back and see the unemployment go higher. And I can tell you right now, if Gerry Phillips is telling me that it is 10%, and I have seen it in the paper that it is 10%, I can tell you that by next year when the budget comes out we are probably going to be talking about 20% and maybe 30% in the construction industry. This is going to help. It is putting our workers back to work, but it is not going to solve all the construction industry's problems. The recession has affected the plants and situations like that. We, as construction workers, have not seen the recession yet.

The Chair: Thank you very much for your presentation.

1030

BOARD OF TRADE OF METROPOLITAN TORONTO

The Chair: The next group we have here is the Board of Trade of Metropolitan Toronto. Are they ready to proceed? I know we are a few minutes early.

Mr Meinzer: We are actually 20 minutes late.

The Chair: Welcome to the standing committee on finance and economic affairs on the budget review. You will have one half-hour totally, if you can save some time at the end of your presentation for question and answer period. Would you please identify yourselves for Hansard.

Mr Meinzer: I am Gerry Meinzer. I am the vice-president of the board of trade. Health and everything else permitting, I am its next president. With me also I have Don McIver, chairman of the board's economic policy committee, and Kate Phillips, its vice-chair. We will be pleased to respond to any questions the committee may have afterwards. Let me tell you at the outset, though, I appreciate the opportunity on behalf of the board to make our case.

Just by way of background, the Board of Trade of Metropolitan Toronto has approximately 15,000 members. It is the largest community chamber of commerce in North America. We represent a broad cross-section of the Metropolitan Toronto business community from self-employed business persons to major corporations. Our membership encompasses manufacturing, service and financial sectors.

We have reviewed the 1991 budget and, as you can well imagine, we are greatly concerned about the \$10-billion deficit and the projected four-year \$35-billion debt increase it contains. While it is true that the government can blame much of this year's deficits on shrinking revenues, soaring welfare rolls and cutbacks in federal transfers,

where is the long-term deficit reduction strategy? The government acts as if it had no power to roll back programs or civil service staff increases initiated by its predecessors. Its only concession to the concept of cost control is to "ask the people who work in the public service to help us meet the targets of our fiscal plan." Talk about putting the foxes in charge of the hen-house.

However, the budget has been come at from all kinds of different angles and we want to pick a new one that perhaps goes somewhat in line with the previous presentation. Rather than dwell on debts and deficits we want to confine our remarks to budget paper E, the discussion paper on structural change and competitiveness—for your reference, it is beginning on page 85 of the budget—for in the pursuit of competitiveness that the 1991 budget will have its most negative impact. I listened with quite some interest in the previous presentation on the German and Japanese example, and I know both of them very well. One key difference in their position is that they take preventive positions rather than reactive positions, both in labour management and in industrial strategy.

I also operate in the field of high technology, one of the very successful Canadian corporations in that field, and I know that the best technology in the world is not going to buy you a thing unless there is somebody at the other end who, for your price, wants to buy it. So in terms of the presentation, one needs to keep in mind that unless you can compete for a price somebody else cannot match, you are so much better in a cost-benefit analysis, you are not going to succeed. In our view the budget discussion paper is somewhat of an offensive attempt to blame Ontario's current industrial crisis on the policies of the federal government and on industry itself.

It expresses no vision about Ontario's industrial future and contains no ideas for addressing the current crisis beyond urging business to "invest" in Ontario and talking about strategic partnerships. It ignores high unit labour costs, rising taxes and payroll levies, labour and environmental legislation as the chief causes of the flight of industry from this province. In an appalling omission, it makes no mention whatsoever of the Ontario tax burden, which only shows the government's total indifference about its own responsibility in turning Ontario into what we are looking to head for, a fourth-rate industrial economy.

It proclaims that Ontario's low crime rate, low infant mortality and long average life expectancy are somehow sufficient to make firms increasingly interested in locating here. Why are they locating in Mexico and in Tennessee if there was any truth to this? It implies that Ontario employers have somehow exploited their workers since it says, "Ontario workers have seen their weekly earnings decline by 1.1% in real terms from 1979 to 1989." But this is almost entirely due to the inflationary effects of government taxes, payroll levies and government-regulated prices and I can cite you examples and you can bring them under questions after.

It proclaims that federal policies of high interest rates and unrealistically high value of the Canadian dollar are impeding investments. In doing so, it conveniently ignores the provincial government's own role in maintaining high interest rates and inflation by proposing to nearly double

provincial debt over the next four years. It preaches partnerships between business, labour and government at a time when the government refuses to consult meaningfully with business on a wide variety of policy issues ranging from employment standards to rent controls, from minimum wages to labour laws. In fact, it pronounces that the only way commitment from employers to invest will be won by introducing such measures as pay equity, employment security and a fairer minimum wage. Can the government provide us with a single example, just one, of a company which has decided to invest more in Ontario specifically because of these policies?

It makes the heroic assumption that Ontario will somehow gain a competitive advantage in marketing the products and services of environmental industries by imposing stricter standards, which will act as a spur to technological innovation. At the same time the government ignores the movement of garbage in the province, eliminating the prospects of developing a viable recycling industry. It attempts to defend the role of the civil service by pronouncing that Ontario cannot afford the rigidity induced by policies which focus on cutting wages and eroding public contributions, an attitude which proclaims that not a penny of government money is misspent and every penny of expenditure is fully justified. But do Ontarians have grounds for anything other than cynicism in view of the 5.8% civil service pay settlement earlier this year and the increases of up to 11%, costing \$17 million, for 2,200 civil servants?

The budget discussion paper clearly demonstrates that the government's idea of industrial strategy is to load as much tax, with as much burden, on to business in what is already North America's highest-cost jurisdiction and wait to see who will survive, let alone remain in the province. The entire orientation, in our view, is perverse and retrograde. How much proof does the government need to demonstrate that both its and the federal government's policies—and I include both—are driving industry out of the province to the tune of 250,000 jobs last year? Free trade cannot be blamed for the flight of Canadian-owned industries, since Ontario employers were both actively courted by US jurisdictions and were quite free to leave long before the free trade agreement was signed. In fact, the reduction of tariffs on exports to the US can only have prevented an even more rapid pace of deindustrialization.

One thing we can agree with in the discussion paper is the statement that there is a clear distinction between federal policies on competitiveness and the alternative approach supported by the Ontario government. We submit that both have indeed been extremely harmful to the economy: the federal government by letting deficits and hence interest rates get out of hand; the Ontario government by proceeding with a social agenda that takes absolutely no account of the plight of industry in the provinces, presents no coherent policy for preserving our industrial competitiveness, and by tabling a multi-year deficit plan that promises to repeat every mistake made by the federal government in recent years.

Where, I ask you, are Ontario's manufacturers going to find the resources to invest in retraining, in new technology

and in R&D and innovation when the government brings down a four-year fiscal plan that the Treasurer says will require at least \$500 million in new taxes just to meet future deficit targets? In fact, we think it is going to be substantially higher. And how will \$35 billion in new debt result in government investments which will spur the private sector's ability to create wealth? The discussion paper provides no clues in this regard. The discussion paper shows that the government has no conception of Ontario's place in the global economic firmament and inescapable reality of integrated markets and free international movement of the factors of production.

If the government really believes that unit labour costs are unimportant, that taxes do not even merit a mention in a serious discussion paper on competitiveness, that environmental legislation is a spur to industry and that commitment to invest in the province will be won by introducing burdensome labour and minimum-wage legislation, then one can only conclude that the government has formulated an industrial strategy based on ideology but certainly not international reality. This apparently being the case, there is probably little point in our presenting detailed recommendations to the government until we see some clear sign of its willingness to engage in a serious debate on competitiveness. We have seen nothing yet emerge from the new Premier's Council on the Economy and Quality of Life in this regard.

I do want to quote from the Premier's speech on that, where he says: "My message is simply this. This government recognizes the fact that there must be a marriage and an understanding between those who are involved in the creation of wealth and those who are preoccupied with the issues of social justice." We agree with that. It is a two-way street, and we are suggesting to you that in our belief it has so far been a one-way street. We believe that a strong and viable economy may be achieved in a high-cost economy if all parties will co-operate in pursuit of this goal, but it will not be achieved if the government continues to focus obsessively on its labour and social agenda to the detriment of the wealth-creating capacity of the province.

This is where the German and Japanese models differ substantially. They do get together. They do it together. Unless we get ourselves into that same position, the direction we are going in will lead us straight downhill. With that, Mr Chairman, I am open to questions, together with my two colleagues.

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Mr Kwinter: Mr Meinzer, I was interested in your comments and I would like to get a reaction from you. Unfortunately we did not have enough time to talk to the previous presenters, but I was a little disturbed to hear Wally Majesky say, "Yes, I understand about Japan and Germany but unfortunately we can't compete with them, so let's worry about these other things."

At the present time, the trade between Canada and Mexico is negligible. It is of no impact whatsoever on our economy. As I say, all these people who are really getting quite excited about it are worrying about something that is statistically unmeasurable. The trade between Canada and

Mexico is less than \$2 billion, which is absolutely nothing, whereas our major competitors are really Germany and Japan. To listen to Wally Majesky, we should just go home, pull the covers over our heads and say, "Forget it, we can't compete with them." Do you have any reaction to that?

Mr Meinzer: I was tempted to react while he spoke, because there is absolutely no point building buildings if we do not have any use for them. Unless industry is competitive worldwide and within the province of Ontario, we cannot just bury our heads in the sand and say, "Let's ignore them." Germany and Japan—and I am somewhat more familiar with Germany—are two of the highest social-cost countries I have ever been in, but what they do have is a sense of co-operation between labour and management, where they settle things in a preventive way, as I said at the outset. In the computer industry you have preventive maintenance so the thing does not break, rather than our model where we react once it is broken. So there is labour peace. There is no loss in their time. When they work, they work. They do not walk around on picket lines. We cannot ignore that.

Mr Phillips: You did not talk of a capital fund today. I would really like the board's opinion on the capital fund. There is no question that this government is going to try to bury capital and say, "We've got a deficit next year of \$4.5 billion instead of \$9.5 billion." I would like your opinion on it if you have it today.

The other thing I had is just because it is the Toronto board of trade. Unemployment in Toronto has worsened and is the worst of any place in Canada, I think. A year ago it was less than 5%; today it is over 10%. That is what worries me about the budget, personally. It is not so much the spending side as it is the revenue side and the job side of it. I am wondering whether the board has any analysis of what the cause of this is. There is a lot of talk about moving to other jurisdictions. Have you actually seen any of that? Just your thoughts on the cause of the high growth in unemployment. Also, you have touched on some solutions, but what are the things we might look at fairly quickly?

Mr Meinzer: We have done some extensive research and I would defer to my colleague, Don McIver, who is the chairman of the economic policy committee, to answer your questions.

Mr McIver: In answer to the first question, the issue of dividing the budget of the province into capital and operating, philosophically one can make a fairly straightforward case that any business organization has a capital budget which in essence is not intended to be funded within any one given period within the calendar year or fiscal year. There is some underlying sense behind that, but what worries me to a considerable extent are two things really: one, the sense that the capital budget is comparable to that in a corporation, which I would argue is not the case; and two, that you can continually run a capital budget in deficit. I say it is not comparable to that in a corporation because the reason you have a capital budget in a company is that you are investing in some production-generating equipment, machinery, a plant or whatever, which is going to give you a revenue stream over time.

Mr Phillips: Plus depreciation cost, and there is depreciation cost.

Mr McIver: Exactly. I think the difficulty with applying that to the province is where you say that hospitals, schools, particularly hospitals, to use a very good example, when you consider that to be a capital cost, patently, that is not going to be a revenue stream generated within the hospital against which you can offset the carrying cost of capital over time. Conceptually the idea is reasonable, when you start to pull it apart I think it becomes quite questionable. Then you are left with the implication, at least in the budget, that you can continue to run a capital deficit. Somehow a capital budget deficit is okay and you can run that continually without any constraint. I find that objectionable. I simply ask, at what point in time can you envision a situation, under this type of accounting, where the capital budget could possibly be in surplus? If not, then you are going to continually run in deficit.

Mr McLean: I have a couple of questions. For your information, we have been meeting for three days this week. We have met approximately 25 or 26 delegations. Of the 26 delegations, we probably had 2 that were opposed to the budget. The rest of them were all in favour of the budget and perhaps spending more. That shows you what kinds of hearings we have been having and the balance that has been arranged to make good input into the budget.

I want to talk about the commercial occupancy rate in Metropolitan Toronto a bit. The other issue I want to talk about is whether the Minister of Labour or anybody from the ministry met with your group to discuss the government co-operating with business.

Mr Meinzer: I will answer the second question first and the answer is yes. I am not convinced we got a hearing, but we have met. The first part maybe Kate will—

Mr McLean: Is the commercial occupancy rate increasing or what is happening with regard to that?

Mr Meinzer: Don, you are more on that side of the world, I suppose.

Mr McIver: Yes. Can you just refresh me on that question?

Mr McLean: Is the vacancy rate of commercial buildings, commercial businesses and space that are rented in downtown Toronto, continually increasing? You see kinds of signs.

Mr McIver: Yes, but I think you have to put that in the context of the recession. Certainly Toronto, unless I am mistaken, of the major financial capitals or centres in major business sectors in North America, has one of the lowest vacancy rates in the central core. I am not familiar with the city as a whole, but I think the centre of the city is not as severe as many others and it is very definitely recession-related.

Ms K. Phillips: Maybe I could respond simply saying that the recent study done of major business centres around the world shows Toronto to have the third highest cost of occupancy rates anywhere in the world. We are a very expensive city to walk right in. When you compound that with things like the corporate concentration tax a

occupancy tax, you are forcing firms to find other places outside of the major business cores. It is creating new business cores, if you wish, as people spread out and build new homes. That is simply a factor of economics.

Mr McLean: Then are some of the ones who are finding new homes moving elsewhere in Ontario, or are they moving south of the border?

Ms K. Phillips: Quite often because of the number of other factors, typically taxes, they are being driven south of the border or to other jurisdictions. Simply to take the case of companies finding other homes, we will see that in Quebec firms are finding they are moving some of their taxes to homes such as Alberta, where they can take advantage of some tax holidays.

Mr McLean: So we are not going to see a reversal. The vacancy rate is going to increase.

Ms K. Phillips: That is correct. That is again compounded with the number of firms that are being forced to close or merging for competitive reasons, and therefore that is decreasing the number of head offices that used to be located in the downtown core.

Mr McLean: So the recession is going to get worse in Ontario before it gets better.

Ms K. Phillips: That is correct.

Mr B. Murdoch: At first you mentioned how many members and I missed that. How many members are in your organization?

Mr Meinzer: There are 15,000 members.

Mr B. Murdoch: I wanted that on the record so that everyone knows there are quite a few people out there who agree with you. As Al said, we have had hearings for the last few days and it looks as if everyone wants more rather than less money in the budget. I do not think we are getting a clear picture here. Maybe today we will get one that is a little clearer.

Ms K. Phillips: I guess we really cannot stress enough the fact that has to underline any budget or fiscal decision made here in this province. If you do not have revenue-creating positions, whether that is companies or jobs in one form or another, you have nothing to support your social policies with.

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Mr B. Murdoch: I think somebody has missed that point and I am glad you pointed it out.

Mr Jamison: As you have been made aware, we have not heard many opposing presentations. Thank you for taking the time to come in.

Of course, being opposed to the budget, as you obviously are, and the level of deficit that is there, is understandable in some cases. No one likes a deficit. I would pose a question to you, because when I was brought up, my father used to say, "If you don't agree with something, then be specific about what you don't agree with and be able to point out very clearly what you would have done instead."

I think it is very important, and I will give you an example. Would you be opposed to the transfers to municipalities, in relationship to the Conservative theory from

Ottawa that really froze and capped those funds? How would that affect your membership, in fact, in a municipal base and so on? Really, I guess my question would be, if you were going to limit the deficit, have you done your own personal homework in coming here today? Are you able to point out clearly the areas where you would have restrained your spending and by how much? Would you identify clearly the areas and the amounts in which you would have restrained spending, keeping in mind of course that by standing still, by not doing anything, there was a potential of an \$8-billion deficit in this province.

Mr Meinzer: To us, a deficit is a deficit; it does not matter what political stripe it came from. But I want to answer also philosophically that we represent the business community, and in corporate life you just cannot keep operating on a deficit. You would just simply go bankrupt.

Mr Jamison: I am asking you for specifics.

Mr Meinzer: We have a philosophical issue, but we also have some specifics to answer your questions.

Mr McIver: I am going to try and avoid naming too many specifics, because this is an oft-asked question in sections such as this.

Mr Jamison: I think this is the crux of the debate, really, though.

Mr McIver: Give me a minute, please, because the difficulty in responding to that type of question is that in general the person responding simply does not have the full agenda, the full figures, the full costs, the understanding. It takes not just one individual but many individuals and various treasury boards or various levels of government. It requires a full understanding of the programs and how they are funded, and in many cases there are expenditures which obviously seem capable of being cut tomorrow, but it turns out that there are contracts written around them which would take a long time to unwind.

Again, I am trying to avoid giving specifics, because I will claim, and I think most people in this position would claim that they simply do not have the competence to do so. However, I would echo Gerry's philosophical comment that says: "Look, if you're running a company, it doesn't matter. It's not sufficient to say: 'Hey, listen, I don't know who we can fire. I don't know where we can cut the costs, which contract we can cancel.'" I know we cannot continue to run a business if we continue to do this.

The one specific I would suggest to you right off the top, because it is in marked contrast to what has gone on at the federal level and with many of the provinces, is an effort to constrain wages at the provincial public sector level. That is in very marked contrast.

Mr Jamison: How much would that have saved?

Mr McIver: I cannot give you a number. That is the difficulty you put me in, "But how much would it save?" At a guess, a couple of billion.

Mr Jamison: No.

Mr McIver: No? How much?

Mr Jamison: It was much less than that.

Mr McIver: You could be right.

Mr Kwinter: What about the private sector, which gauges its wages on the public sector?

Mr Meinzer: Can I just quote you one example? The senior civil service level that we quoted was \$17 million. That is just for 2,200 people. Let's say we would have kept them at zero; there is \$17 million right there.

Mr McIver: This is public sector, parapublic sector, all different levels of government, where there is a demonstration effect, and indeed the private sector, where there is a tremendous demonstration effect.

Mr Sutherland: You commented earlier about governments causing inflation and that leading to high interest rates and the recession. Yet if I look at what John Crow said—and with me not being from Toronto, John Crow used to bug the hell out of me—he would say the inflation rate was 6.5%. Here in Metro it was 6.5%; in the rest of the province it was 4%. He is sitting there saying, "The economy's taking off in Ontario, so we've got to try to control the inflation rate before it gets out of hand."

You are saying here that the government is causing it. What he was saying at that stage of the game was that your members, who were probably benefiting from the economic boom that occurred here, the end result—what was going on in Toronto was actually causing him to force up the high interest rates.

I guess I am trying to put that all together, why we had a high interest rate policy that dealt with one specific area of the entire country, but seemed to create a recession across the entire province, put people out of work, and now, when a government tries to deal with that in terms of maintaining levels of service and in terms of trying to provide some stimulus—not enough to make up for the losses, no doubt about it—to get people back to work, we are receiving a great deal of criticism for that.

Mr Meinzer: From a deficit point of view, the deficit was not a Toronto deficit and it was not an Ontario deficit. Ontario has been a net contributor to equalization for I do not know how many years, if not for ever. What John Crow is coming after with a high interest rate policy is a national issue, because we pump money into regional development and all kinds of things.

We have just done some very recent studies. In Hibernia, with the amount of money that is going in there for regional development, it would probably be easier to triple unemployment for any Newfoundlander and still be less than half the cost—if you tripled the unemployment insurance benefits. That is where a lot of the deficit comes from, but Kate may want to add to that.

The Chair: Make it very short because we are running out of time.

Ms K. Phillips: I think maybe we will just want to wrap up by saying we want to focus this government back on the issue of competitiveness. You cannot expect industry to compete with the burden you are placing on us with this budget and this deficit. You have increased the social costs through new payroll taxes. You are talking in a variety of other areas.

Mr Sutherland: Sorry, there are no new payroll taxes in this budget.

Ms K. Phillips: There are things on the table now that are going to influence in the next very short—

Mr Sutherland: Okay, but nothing has come in as yet.

Ms K. Phillips: You have enough new taxes, like either in your proposed plan or in your budget, that are going to cripple industry and are going to influence the competitive position that we take here. We are not denying the fact that we have been knocked by the recession by manufacturers, but we are simply saying: "Let's fight to get our heads above water. Don't hamper us further with any new taxes you might come up with." You are putting in place policies, whether they be environmental, whether they be employment equity, whatever factor you wish to look at, that are going to make us uncompetitive, and that is going to drive us to other jurisdictions.

The Chair: I would like to thank you very much for your presentation.

1100

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Chair: The next group to come forward is the Ontario Secondary School Teachers' Federation. Would you please come forward? Welcome to the standing committee on finance and economic affairs on the budget review. You will have one half-hour for your presentation. Included in that time, try to save some time at the end for some questions and answers. Would you identify yourselves for Hansard, and you can start with your brief.

Ms Barkley: First of all, I would like to say we are very happy to be here and that we represent 42,000 members. We are not just teachers. We are secretaries, custodians, psychologists and psychometrists, among others, within the educational community, so it is not just the teaching staff itself. Certainly they encouraged us to make this presentation.

I would also like to indicate to you that this particular brief has had a very wide distribution. We were at the Canadian Teachers' Federation convention last week, representing the teachers across Canada, and they all wanted to take the brief back to their own provinces, particularly those in the west might underline, in British Columbia and Saskatchewan.

I will start the presentation. I will read some to you and then I will try to highlight other parts that I think might be relevant for you. If I go on too long, please stop me. I try to do that, but I would rather save time for questions because I know you can all read.

When the Ontario budget plan for 1991 was unveiled, the reaction of the Ontario Secondary School Teachers' Federation was gently favourable. Our support for the social and economic measures unveiled in the plan was somewhat diluted by our inability to perceive any move to increase the provincial share of the financing of local education. The transfers to school boards were set at a 8.1% increase over 1990, while the previous government had increased it, as you can see, by 8.3%.

However, now that we have seen the budgets from other provinces, ours shines by comparison, and we are told that continually. It is virtually the only responsibility

counterattack by a province on the federal government's parched-earth social and economic policies.

We have already commented that it is the height of irony that the Ontario budget has been energetically attacked for having rejected the approach of Wilson and Mulroney, whose policies themselves had been discredited by the majority of commentators and people prior to the release of the Ontario budget. The source of the storm of protest surrounding the Ontario budget, its acceptance of the necessity for a recession-fighting deficit, was itself caused in major part by the cut in transfers to this province from the federal government—downloading.

Since 1989, in effect, the government of Canada has deliberately implemented policies made outside of this nation by the International Monetary Fund and the World Bank. These international bankers' monetarist policies deliberately aim at destroying our social and health care safety net through the reduction of transfer payments for the targeted programs.

We are in total agreement with the approach of the provincial government in budgeting for a made-in-Ontario program that will maintain and strengthen our system of social justice and equity.

I will not read this next part on downloading, except to say that last week I had a confrontation with the tax coalition people and they do not understand the downloading. It is very important that this be stressed; for example, the fact that what the transfer payments do to provincial governments and to municipal governments and of course, finally, to the property taxpayer.

I will turn now to page 4. Again, we were always opposed to the downloading of the provincial government, and I think the past Liberal government can tell you that. We spoke very strongly against that. But now, faced with a massive downloading of the federal government, we are really in dismay and our concern is much more with what is happening federally, affecting us all. The Ontario budget, with that in mind, is a beacon of light.

In 1991, the cap on transfer payments to Ontario in established programs financing (post-secondary education and health) and the Canada assistance plan (social assistance) will result in a cumulative shortfall of \$3.6 billion. That goes back to 1986. This shortfall alone makes up nearly one half of the notorious Ontario budget deficit.

Over the next five years, it is estimated that the total accumulated shortfall for Ontario will be an astounding \$15,066,000,000: established programs financing, \$11,209,000,000, and Canadian assistance plan, \$3,857,000,000. See figure 1. This is an unconscionably heavy burden to settle on the shoulders of the beleaguered Ontario taxpayer, and future Ontario budgets will have to cope with its impact.

There is little likelihood that the needs met by these programs, especially in the area of social assistance, will diminish as long as the federal Conservative government is in power. The unilateral cap placed on these transfers by the federal government is an irresponsible violation of the federal-provincial social contract that helps hold this country together. When one considers that unemployment insurance benefits have been cut at the same time, the

federal government is indeed abandoning those Canadians least able to protect themselves in hard economic times. The government of Ontario had little choice but to make up the shortfall to sustain the victims of the same federal government policies, and its budgetary deficit, in light of this, became inevitable.

What we have on the next page, page 5, as you can see, are the transfer payments for all the provinces. You may want to take a look at that later. I think that is very pertinent and something we should publicize much more, because it has created so many of the problems we face.

If you turn to page 6, it is interesting. I think you all remember that when the Quebec budget came down, it was lauded by papers such as the *Globe and Mail*. We all read that. So we researched that and we talked to our colleagues in Quebec as well. If you take a look at Quebec, and if you go to the second paragraph there and read through that, in terms of social health and education vitality, Quebec is not doing at all well. Restraints have been imposed on school boards since the early 1980s. Unemployment and poverty levels have increased—and now look at this one—at a dismaying rate. At this moment, Montreal has a higher rate of unemployment than St John's, Newfoundland, and you know how high that is. School dropout rates have risen dramatically. Between 1979 and 1991, the dropout rate in Quebec increased from 26% to 39%. In Ontario, retention rates continued to improve. Between 1975 and 1986, our graduation rate increased from 62.4% to 75%. Clearly, any proposal that Quebec be the model Ontario should emulate must be viewed indeed with scepticism.

I think we should read this too, because it brings some compassion into the debate, which I think the NDP government has shown. That paragraph at the end says, and it is a quote, as you see: "Educators have become increasingly aware of the effects of poverty and the associated problems affecting school performance: lower attention span, truancy, poor attendance, erratic behaviour, hyperactivity, aggression," etc.

If you look at the top of the page, an article from the *Globe and Mail*, and you read about the second sentence there, the effects of poverty in east end Montreal, they did 37 schools where there are nutrition programs and they can do no testing after the 15th of any month. The children just cannot cope with it because they are not properly nourished. That is astounding. And this is an ideal budget, helping the people? Hardly.

If you look at the bottom of page 6, again we are talking of transfers to school boards, which we think is an investment in people and an investment in our future. As indicated above, despite the fiscal squeeze exerted on Ontario by federal government cutbacks, the provincial government made the courageous decision not to reduce its transfers to its junior agencies. Colleges and universities received a 7.3% increase, health care 9.5%, municipalities 5% and school boards 8.1%. For purposes of comparison, we outline the latter transfers across Canada.

Take a look at that graph on the next page. That says it all, really. If you value education and you think it is something that is one of the cornerstones of your community, just take a look at that graph. Look at Quebec. Look at Ontario.

I think Ontario did the best it could to retain an excellent education system in comparison, and as has been outlined to us, right across Canada, from all the teachers whom we have met recently. Again, Ontario is a shining example of fiscal responsibility compared to the other provinces.

If you will look at the next paragraph, there has been little mention of this, but the provincial government has also inaugurated a \$100-million pay equity fund that will help school boards and other agencies meet this important—contrary to what the last presentation said—social priority. In addition, it has followed the example of the previous government and extended the approximately \$300-million capital grant to school boards. The Minister of Education, Marion Boyd, has on more than one occasion assured school boards and teachers that the future cost of new mandated innovations like curricular restructuring will be paid for from provincial coffers. This is good news and signals a potential end to the practice of downloading that has been widely rejected.

1110

Choosing a path for Ontario: a high-wage or a low-wage society? I think you know that is a discussion that is now global. In fact, the International Monetary Fund and the World Bank are discussing which route to go. What we are doing now is that we are entering a free trade and global economy. We have choices of which way we go, and budget paper E indicates the route Ontario is going to go. I will not read it; you know it. We agree with budget paper E in that direction.

If you turn to page 8 and go to the very bottom paragraph in the first column, we had an opportunity to go to a transborder conference in Halifax with our colleagues from the United States, and we had a presentation from Jeff Faux, president of the Economic Policy Institute in Washington, DC. It was chilling. It was fascinating, but it was frightening. In any case, I would like to read a little bit of it, because I think this is something we are all going to face.

Faux outlines a choice that is referred to in paper E: "Under these conditions, high-wage nations such as Canada and the United States face a choice. One option is to compete in the global economy by lowering wages, and therefore lowering the living standards of the majority of the population. The alternative is to compete on the basis of higher productivity and innovation, which will improve living standards"—which they have done in Germany, for example.

"But prevailing laissez-faire economic ideology has been moving both nations down the low wage path by defining competitiveness in terms of low labour costs; ignoring the economic value of the public sector. There is a catch-22 at work; we're not competing so we cut back on public investments in people, and because we cut back on investments we can't compete.

"The proposed North American free trade agreement between Canada, the US and Mexico is an example of the low-wage path.

"Continuing to follow this low-wage path will produce prosperity for the top 30% of the population and falling living standards for the bottom 70%. In the long run, the gap between the very rich and the rest of society will grow.

"The new global economy requires a new economy for North America, one in which nations compete against each other not on the basis of cheap labour but on the basis of expensive labour, ie, labour that produces innovative products and services.

"A high-wage strategy involves a transformation of the organization of work from traditional 'top-down' management to management by teamwork. This in turn requires a new emphasis on a high-quality general education for all.

Then there is something Bob Rae has mentioned: human capital, the importance of it:

"Investment in people is the key to a high-income strategy. People are now less mobile than technology and capital. People are the source of national adaptability and flexibility. Education and training shapes job content and the organization of work"—and shapes people.

"A high-skill, high-wage strategy transforms the problem of educating the disadvantaged. It is no longer a question of charity; everyone's lives are diminished when the education system loses a child.

"...or loses an adult. The accelerating pace of economic change requires opportunities for learning throughout life.

"Money does matter. So does the capacity of public education to change, which is essential if it is to be the engine for the further social and economic development of North America."

Now we are facing that choice: to maintain our present standard of living, the high-wage standard of living, or to move to a low-wage society on a Mexican model. Of course we support the first direction as outlined, again, in budget paper E.

Again on that page—I will not read it to you; I will just try to highlight it—when we talk about taming the recession we certainly agree with the 58 wise persons, the economists who made the presentation and should have been much more highly, I think, highlighted in the press. Of course we agree with Galbraith's analysis and his approach to how you tame the recession and how you economically deal with it. I would suggest to you too that this is the only place where there has been any kind of humanity shown to the vast majority of the populace by this government.

If you turn to the very last page, page 10, you do have to read that. Galbraith makes one more intriguing suggestion regarding the financing of this public investment, "A bow to fiscal conservatism, perhaps we should finance the process with a tax increase in higher brackets." In other words, we have to revamp the tax system. I did not read that out to you, but I am sure you have heard that before. We have to tax the higher earners. We have to look at the whole tax structure, because it has been very clear since about 1985 and before that the loopholes for the rich have increased and the taxing of the middle class has increased as well. We think the whole tax structure has to be looked at, and we think that is one of the major problems and one of the major difficulties of getting out of this recession, it is not highlighted.

As with probably everybody in this room, we fought very hard against the fiscal policies of the Tory government, particularly the GST. When the government says it has no money and has to form a committee, for example

find out how to dispose of an income that is now being generated by the GST, we think the massive part of the problem of this recession lies in the fiscal policies of the federal government, and again, that is what should be attacked, not this very fair budget the NDP has put in place.

I will read the conclusion for the record. The Ontario government has chosen to maintain its investment in its institutions, and most important, in its people. In light of its commitments that the New Democratic Party has made in its Agenda for People, it would have been difficult, if not impossible, to do otherwise. The Ontario Secondary School Teachers' Federation supports this direction. Furthermore, we are convinced that there is broad public support for the budget's responsible anti-recessionary strategy that will nurture the long-term strength of this province.

The Ontario Institute for Studies in Education poll on attitudes to education was released in April. A significant majority, over 90%, thought that the spending on local education, job retraining and adult literacy should be increased, even in this recession. Post-election polls conducted by Environics and Insight Canada also indicated the same broad support for increased spending on education and other social programs: health, social assistance, etc.

The taxpayers of Ontario will support a government that invests in socially valuable programs, as they are the key to Ontario's economic future. However, the government must aggressively explain—if there is any fault that I could give it would be the following: It is that we did not explain this budget well enough when it came out. We did not defend it well enough and we were not aggressive enough in indicating to the populace that big business does not like anything that does not feed its coffers. It does not care about the people and the community needs. We do, and this government does, and I know we have to work with business, but it has to take a lesson that it has to be socially responsible as well.

I say in conclusion to you that across this province—it is not just the OSSTF, by the way. The Ontario Teachers' Federation, which represents 135,000 teachers, was going to make a presentation. I do not know if they are on your agenda, but they were going to try to make one in Kingston. The Ontario English Catholic Teachers' Association, which represents the Catholic teachers, wanted to make one, I believe, in Ottawa, or I have it reversed, but I know that was the plan. So when I make this presentation on behalf of the OSSTF, I know that I am talking in a much broader context about the educational community and its allies.

We thank you for allowing us to make this presentation and we certainly hope the government continues on its pathway.

The Chair: Thank you. We have about four minutes for each party, starting off with Mr McLean.

Mr McLean: The question that I have for you, the long-range budgetary policies of the government to increase the debt to about \$76 billion by the year 1995, what is your answer to that? Do you agree with that policy?

Mr French: Actually, I think the government is in a real bind, and the debt it is incurring through the cumulative deficit is serious and has to be addressed very seriously.

One prays that the recession will diminish as quickly as it can. We think the Ontario government will help that, so that the cost of the debt servicing does not become a strait-jacket for the Ontario government the way it has become federally. We think it is still under control. It is about 12% of the Ontario expenditure. The federal government is around 34%. So there is a little room there, but I think we would have to agree that the faster the deficit is whittled down, the better.

Mr McLean: Do you think that the federal government should continue to increase its debt? It is \$400 billion now.

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Ms Barkley: No, I think there has to be a total restructuring of the tax system, a total restructuring of who is taxed, how they are taxed and what is taxed. Look at how corporations are taxed in Canada; there are less taxes paid by our corporations here than in the United States, which is astounding to me. I think it was something like one third of our corporations here in Canada, through loopholes and other things, end up paying no taxes at all—some of the most powerful ones, like the Power Corp, and that should be addressed, for example.

Mr McLean: Have you met with the Fair Tax Commission?

Ms Barkley: No, I have not.

Mr McLean: I thought I had heard something. I guess they are operating now and I am sure you will be making a presentation to them once they get in operation.

Mr French: Ms Barkley is chairing a very high-level task force of our federation to prepare a submission on property tax reform. We will have that ready by the end of the summer so that, when the Fair Tax Commission meets, we hope to make a major presentation.

Mr Christopherson: I want to thank Mr French and also Ms Barkley for what is always an interesting and stimulating presentation. I would like to focus on one area in particular that you referenced twice in your presentation, and it also ties into comments made by the previous presenters; that is your heading Transfer to School Boards: Investment in People. When you read it out, you added, "and investment in the future." Then also, in your conclusion, the first sentence of your last paragraph is, "The taxpayers of Ontario will support a government that invests in socially valuable programs as they are the key to Ontario's economic future."

Obviously, our decision to provide the money that we did to the transfer partners was twofold. One was not to lead to the regressive property tax system which you have already very thoroughly addressed. The second was the whole issue of investment in the future. We believe that fundamentally. The previous presenter, when talking in answer to a question from Mr Kwinter, I believe, on the capital budget, said that "Government investments in capital, per se, are unlike that of business, because when business does it, there is something that is produced positively at the end." I am paraphrasing and I hope I am not wronging him in doing so.

Mr Kwinter: Just for the record, it was Mr Phillips who said that.

Mr Christopherson: It was Mr Phillips? Thank you. It was a good question.

Now, if we invest in capital structures—for instance, schools or hospitals—we believe there is an economic return in that investment. I would like to hear in your own words, for Hansard, for the record, in as plain language as possible, taking that rather esoteric thinking and telling us how you believe that an investment in the school system—the capital part of it and, if you can relate that to hospitals also—is truly an investment that will give a return to the people of Ontario.

Ms Barkley: I think there is no more powerful investment, no more important investment—being a teacher all my life—than the human investment. I would call that human capital. The best example we have is in Germany where retraining programs have resulted in the most highly trained workforce in the world; and they are among those with the highest wages in the world, the shortest work-week, and the most competitive, because what they have done is invest in the thing that makes the gadgets. They have trained their people to deal with the new technology. They have become more competitive than we have become, because we have not got the workforce—and we have a better workforce than many—that the Germans do, because they invest much of the new technology because of their investment in human capital. The Japanese do much the same, but I know the German experience better. I think that investment in human capital is the most important investment that any government can ever make.

Mr French: Could I add one thing? We have added, for your information, in case you had not seen it before, and I think maybe some of you had, the earning power study from Princeton that came out last year. It is very revealing. This was before the knowledge-based economy, where investment in human capital is the critical factor, and a longitudinal study. They studied a generation of students and compared earning power after their school treatment. The variables were teachers' salaries, the amount of expenditure on instructional salaries and class size, and they did it in increments of five in the classroom: a class of 30, a class of 25, class of 20. And then they did the long-term earning power.

The people who had the best educational investment out-earned their peers, who were at the other end, by 3.6% over their lifetime. This is significant enough so that their federal income tax in US terms, which is not onerous, will more than pay back the original investment in improving the learning conditions.

I would think that kind of investment is now going to be more critical as our industries move into the knowledge-based industries. Our lifeline, our hope will be that our education system can cope and produce citizens capable of competing in the global economy the way Germany and some of the Asian countries are succeeding.

The Chair: We go on to Mr Kwinter.

Mr Kwinter: I assume the OSSTF has finished its salary negotiations for next year in most school boards.

Ms Barkley: In most school boards, yes.

Mr Kwinter: Let us take, for example, Scarborough. What kind of wage increase did you get for this year?

Ms Barkley: It was a two-year contract. I believe last year it was what, 5.5? That is right.

Mr Kwinter: But for the two years coming up, it is my—

Ms Barkley: No, we have not got a contract. We are still negotiating.

Mr Kwinter: It is my understanding that the settlement in the next two years is going to be considerably less than what you are talking about now.

Ms Barkley: Well, we are in negotiations and we never predict what the conclusion is going to be. You have a problem in Metro because of the cost of living. If we pay very low salaries we cannot draw teachers because of the cost of housing and the cost of living here. We have a major problem within that context which I think our school boards understand. For example, in North York where we come from, the director tried to have some of the schools turned into dorms because we could not draw the teachers because they could not afford to live, particularly on the beginning teacher's salary.

I would hope they are not considerably less or we are not going to be able to maintain the excellent teaching staff we have.

Mr Kwinter: I have a vested interest in this; my wife is a school teacher, so I am very current as to what has been going on. I can tell you that the teachers in her particular school were quite upset, and she said that for the first time since the last strike there are people talking strikes because the feeling is that, while the government gave the civil servants an increase of 5.8%, the indication they have been getting from the OSSTF representatives is that the increase for teachers is not going to be anywhere close to that.

Ms Barkley: I would say that the negotiations that we know of, because I am the Metro liaison for the provincial executive, have not even touched on salary yet. We are now at fringe benefits and we are dealing with working conditions but we have not even touched the question of salary. It is not on the table. If you know anything, and you do, about Metro negotiations, it will probably be well into January before we even touch on what the salary is going to be.

I have not heard strike. I was in the Metro strike and worked to rule in North York twice, and I do not think there is anything the teachers would try to avoid more than a strike.

The Chair: Mr Phillips, for about two minutes.

Mr Phillips: I was, I guess, disappointed to hear the OSSTF say—just because it causes me an uneasy feeling—that business people do not care about anything that does not line their pockets. I do not lump people like that because business people are no different than any other people; you have good people and you have bad people. But if OSSTF feels that way, I am afraid we are starting to really polarize things in our society. This is what we are

ried about in the budget, frankly, not the spending side, the revenue side. How are we going to generate?

When you talk about German jobs, they are there for reasons. One is that the workforce is very talented, but creation and investment have been made in those jobs that take advantage of those skills. Both things, believe me, had to happen.

My worry from your comment is, if the OSSTF really believes that business people care only about lining their pockets, we have some real problems, because if that is the attitude we are not going to build the consensus we need. What really what you believe?

Ms Barkley: I overstated it a bit—he is a business person and I would not say it is him—but I certainly feel the same way about many of the multinationals. I do not feel they have a personality, and within the Canadian context they have been somewhat disappointed that they have not been taken hand in hand and become partners in retraining to the extent that we think they should and could, in trying to give a helping hand to the problems created by this particular recession.

Mr Phillips: Are not some of the best models in these things like General Motors?

Ms Barkley: I said I did overstate it, but still, with the free trade agreement, I think my fear is that the personalities go, the multinationals take over and they do not have a personality and you tend to have a feeling that they are not really concerned about the social equity of the society. It is true of all, that is true.

The Chair: I would like to thank you for appearing before the standing committee on finance and economics. We have exactly one half hour for each brief.

Ms Barkley: Thank you for the opportunity.

The Chair: The Chiefs of Ontario are not here yet. Maybe we will take a five-minute recess and come back at 11:35.

The committee recessed at 11:30.

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CHIEFS OF ONTARIO

The Chair: We would like to welcome the Chiefs of Ontario, Mr Gordon Peters, for your submission before the standing committee on finance and economic affairs on its budget review. You have one half-hour. In that half-hour, try to leave some time at the end of your presentation for questions and answers from the three parties. You may proceed. Identify yourself for Hansard's purposes, please.

Mr Peters: My name is Gordon Peters. I am the regional chief of the first nations in Ontario.

This morning I come here in a lot of ways thinking about how we fight as a people to continue to survive. We are constantly in a mix of emotions dealing with specific issues. This morning I find myself in the same situation in dealing with how we survive as a people and talking about the rights that we have and about how we deal with each other as a people within the province of Ontario and knowing what those impacts mean to us in terms of our lifestyles.

As you may be aware, we have just been handed a decision this morning by the Supreme Court of Canada dealing with the Bear Island situation. The response is not a positive one in the least for the aboriginal people in Ontario.

Right now we are talking in terms of finances and economics. I think this is at the heart of the problems that we face in dealing with all of these matters. I know people are concerned about the high deficit of government and about the rate of unemployment in Ontario, and people are concerned that there is not enough money being allocated to specific areas of programs for certain interest groups.

We look at those things and we think that if our unemployment was only 10%, we would be happy. We are consistently having to deal with unemployment that runs at, right now, the current rate of 61%. We experience that in terms of seasonal work. When we are talking about those conditions where that seasonal work is unavailable, our unemployment figures run as high as 95%. That is something we have to deal with, and we have to understand why our unemployment runs at those kinds of levels.

I think the major issue we deal with in those particular areas is the fact that we do not have sufficient land within our midst to be able to deal with the economics that we need in order to provide for our people, nor do we have access to our own resources to be able to provide sufficient development for our people. In terms of how we deal with ourselves and what that means to us, this is found in the kind of decisions that we are faced with this morning, that we are restricted to dealing with only where we live, the province of Ontario. Right now, in terms of the figures that we derived from your own people, we currently occupy about one tenth of 1% of the land base in Ontario. As a means for economic survival for our people, it is virtually impossible.

At the same time, we know the necessity of having to survive by other means. Those other means currently have been through programs and program initiatives that have been sponsored by both the federal and provincial governments. Our dealings with those program initiatives leave us in quite a lurch as well in terms of our accessibility to those particular areas.

We find ourselves in a situation where we are trying to deal with the government of Ontario on a government-to-government basis, and yet we are disadvantaged in all the areas that we need to deal with. We are disadvantaged because we do not have the kind of human resources available to us to be able to come to the table to negotiate. We are disadvantaged because we do not have the financial resources to be able to come to the table to negotiate. We are disadvantaged because the legal system in this country decides what and how the interpretation of our treaties and of our land issues are.

We are disadvantaged in this process now because of the climate that surrounds the activities that we are involved in—from our own people. By that I mean that because of our past history and because of the surrounding society, it is very difficult for us as a people to continue to struggle with our relationship. Because of the high influx of thinking that has been brought to us by another society, those things that we have as a value do not exist. We have

become subsumed under federal and provincial laws and citizenships. The only thing available to us as a means of survival is being able to utilize the programs that are available. So in terms of our capacity to be able to deal, we are limited.

The limitation is further expounded upon us as a people because that leverage for us to be able to negotiate the things we need in order to adequately deal with the situation does not exist. So I wonder how we can talk about a government-to-government relationship in this province. I wonder how those things are going to be dealt with as we move down the road. I wonder when things are going to change in terms of our existence in the very short term in dealing with programs, our accessibility.

There are many times that we come before a variety of committees to express our concerns. A lot of times we come to crunch numbers on what is actually being allocated within a provincial government budget towards aboriginal people. I do not think I come here this time to crunch numbers with anybody about what is being allocated under a budget. I come here to talk about what we need, what is at the heart of the issue for our survival. Only when we begin to talk about lands and resources and resource sharing will there be any equality in our relationship as a people.

I know that right now, initiatives are being undertaken by the provincial government in trying to resolve some of these issues that are outstanding, and I recognize that those things will not change overnight. But I guess it is difficult—I do not guess; I know it is difficult—to come here today to talk about changing the system. I know it is very, very difficult to understand where things go from this point.

I know clearly in my own mind that the status quo is changing somewhat in Ontario, and I guess that changing status quo still has to be fuelled somehow. It still has to be fuelled in terms of human resources by our own, and somehow or other we are going to need the capacity to be able to finance those human resources in order to continue the struggles that we have. So I can sympathize with the fact that this government does have a deficit that it has to deal with, because we know what those deficits are every day in our lives. And I know that initiatives are there to try to make some changes.

That is all I can say at this particular time. I think we can better spend our time in a dialogue discussing what kind of changes we think are possible, where we think we can meet some of the objectives that we have, and what those mean in terms of a government and the kinds of relationships that are being expounded at this particular time in relation to your financial status.

Mr Chairman, that is the end of my remarks this morning.
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The Chair: Okay, Mr Peters. We go on to the government. Mr Christopherson.

Mr Christopherson: I thank you very much, Mr Peters, for your presentation. I apologize for missing the beginning; I was attending to another matter.

I certainly heard the last half of your presentation, and I think, just from the quiet in the room and the complete

attention that you had of everyone here, that it underscores the importance to us of the issues you raise. I do not profess to have any of the quick answers that you acknowledge you do not have. I do not think anyone does. But I would like as a member of the government to express to you personally that the initiatives and the desire of the Premier of this province are supported by each and every member of our caucus. The desire to reach out and find those solutions is heartfelt and sincere. I can only truly hope that at the end of this term we will have made some of the concrete changes that you rightly deserve, as opposed to just words.

In terms of a practical question, I would ask if, to relate this to the budget directly, you mentioned some of the funding needs you have in order to talk to the government of Ontario on a government-to-government basis. Could you ask you what kinds of programs in practical terms and the dollar figure attached would you have in mind? I am not asking for a specific detailed run-down, but an example and some idea of what that might cost, a couple of the priorities that we ought to be looking at, of things that need some financial addressing.

Mr Peters: In our discussions of the past, we have had two major items on the table at this point in time. One, we have the statement of political relationships that needs the implementation process—how we move from signing the document to implementing the document that we are just beginning to deal with now. We are trying to put some cost-related figures to those. We do not have any actual costs that are related at this point, but we know that the costs will be substantial.

That is one facet of that statement of relationships. The second facet we have to acknowledge is there are a number of things in the implementation process that must be dealt with if it is going to become a reality, besides the costs that is associated with processes of negotiation.

One thing I think we will have to be cognizant of is that the same process you just went through with the rescue of Kapuskasing as a town is the same kind of thing that we are talking about as a rescue of our people and the same kind of economic conditions that we are surrounded with. What it may mean is buyouts, and areas that we are talking about are fishing licences, for example. It may mean buyouts in terms of places where you have your timber permits, those particular areas. It may mean buyouts of lands that we are going to have to deal with and it may mean in some ways those costs will be borne by the federal government in terms of the costing of market value of lands in relation to land settlements. It is difficult to put a figure to those.

If you look at the kind of work that is being done right now, there were somewhere in the neighbourhood of 68 claims that were filed against the provincial government in the past. Those 68 claims people filed simply as a method of starting the ball rolling. A lot of people would not file under the existing terms of the, federally, specific claims policy, and they would not file in Ontario because there was no claims policy in Ontario at all. There was an ad hoc policy that existed under previous governments, so that the people would not apply. But in terms of the process that

are looking at as a beginning point, I think only one m has been resolved. There are a number in the works, there is only one claim in the history of the Ontario ernment that has been solved with aboriginal people in province. If we are going to look at resolving some of se in short order, there is going to be an associated cost h that.

But something that we put on the table constantly is t there might be some areas of compensation that have e paid in dealing with those lands. But we are looking land enhancement, and that is something that the pro- cial government can bear in mind as we enter these cussions, that our preference would be to have our lands rned to us, as opposed to being compensated for those ds, so we would have access again to an enhanced land e in some particular areas.

As well, I think we are going to have to start dealing h, under that statement, not only some of those policy as and dealing with those particular areas, but we are ng to have to begin to come to terms with such things he 1924 lands arrangement that is here, and as well, the 36 legislation that provides for an ability to negotiate. ain, we are dealing with the whole underlying question ownership of lands, whether, in fact, there is ownership lands in this province of Ontario by aboriginal people.

Mr Christopherson: Thank you, Chief, I appreciate that.

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Mrs Sullivan: Thank you very much, Chief Peters, I ow it is a difficult day for you to be coming before us in s kind of interview/discussion situation, but I wanted to k about some of the issues relating to economic devel- ment. You have talked about some of the areas where u feel the capacity of people from the first nations is ited, one of them being on the economic and financial le, the other being on the human resources side.

I am interested in knowing what areas you specifically e through your own leadership as being the areas of the eatest potential for economic development, and the kinds initiatives that could be taken by your people them- ives to reach some of the goals that would be set, and ere the government must take initiatives to work with u, whether it is a monetary or other kind of initiative.

I would also like your comments on the activities of e native business council, which I gather is a kind of onomic development co-op, and if that kind of initiative ould fit into some of your economic development priorities.

Mr Peters: It is a lot of questions. In terms of our uman resources at this point, I guess one of the things we ed to define is how we deal with each other as a people, d that is not trying to evade the issue. I am saying that e have human resources, but they are not recognized as uman resources to the extent that you have human re- sources, and for us to be able to start discussing those ings, we need to be able to come to some arrangement as how those things work.

I will give you an example. Some of the areas that we al with, for example, fishing, as an economic endeavour at we undertake: All of our people who live on the land nderstand fishing as a resource. They understand the

stock; they understand the waters; they understand all of the things that are necessary, that surround the ecosystems of being able to fish, but they are not recognized in any capacity.

When we come to the table to talk about whether those areas can sustain fishing and what kind of levels, we hit head-on with the biologists and with every other person who has degrees in being able to determine whether we can fish in those waters. For the most part, those people come to study those waters, and they do not live with them; they do not function with them, and so our human resources do not interconnect, first of all. So because we have to come to the table under your rules and under your procedure, we lack those human resources. We do not have those kinds of biologists and all those kinds of people to meet your criteria of how we should negotiate.

Yes, we do need those human resources, but we also need to come to terms on our resources and what value our resources have, and that is something I mentioned before. Our value is not recognized, or what we contribute in terms of our own human resources to this end product that we need.

We need to be involved in a lot of those areas, but one of the things that our people have said very clearly to us is that we want to be involved in issues that do not take away from our responsibility to the land. In other words, we are saying, yes, we can be involved in some areas where we are talking about a small hydro development, as an area in the waters that surround our communities. As long as it is a renewable resource that does not damage the environ- ment, yes, we can talk about that kind of development, and some of that development goes on within our communities at this particular time.

But, again, to deal with that same kind of process, we need resources, human resources, to be able to do that. The human resource question is a major one for us because every time we get involved in the discussions the first thing we come back to is the legal understanding, whether we have that capacity to enter those economic fields. We are brought back again to a system where we have to bring back in human resources, and those human resources are lawyers.

The Chair: You have one minute. Do you have an- other question?

Mr Phillips: Chief Peters, in your opening comments you said the finance and economics were at the heart of the issue. I have kind of a feeling that maybe there is an even bigger issue, which is just an understanding of the heritage of the first nations and that sort of thing. I wonder whether you feel there is an understanding of your issues by gov- ernments and whether that is an important issue, as I hy- pothesize it might be.

Mr Peters: There is an attempt to understand, but I do not believe there is any understanding. I think the answer I gave to Barbara Sullivan is one where you see the discrep- ancies in understanding about the human resources we have that we can bring to the table to deal with. I think the misunderstanding we have is that the whole system we evolved from, our responsibilities we have as a people to

ensure our protection, none of the things we currently attempt to deal with are we able to deal with. If we could maintain a very strong political dialogue between us, we may come to an understanding that there is a need for those separate systems we are talking about.

Right now there is an understanding that there is a difference, but there is no acknowledgement of what that difference is. It is simply put that there is a difference in terms of us as a people, saying, "Yes, we can understand you were here before we got here and, yes, your rights flow not from our Constitution or our legislation but from the Creator". But what does that mean and how does that get translated in terms of our differences so that we are able to live together and those things can be respected?

Mr McLean: Chief Peters, I enjoyed your comments this morning. The issues you touched on certainly enlightened most of the people here with regard to some of the statements you have made and the values you indicate will not exist if things are not done. I guess when you speak about the buyout of the fishing rights, the timber rights and the land rights—68 claims filed against the government—there is certainly a lot to be done to right some wrongs. But the one issue I want to talk about is the leverage to negotiate you indicate does not exist. Is there not some type of funding you require to do your negotiating available through the federal government?

Mr Peters: When I talk about the leverage not existing, there are dollars that we do receive from the federal government for negotiation purposes. But what I am talking about, a leverage to negotiate, comes back to some of the questions being asked by Barbara Sullivan and Gerry Phillips in regard to whether people understand what we are dealing with and how do these things relate.

When I am talking about leverage, what is the leverage you have when you are able to negotiate? You have the leverage of the power of the House, of being able to pass laws. You have the courts as a vehicle to deal with. You have the enforcement mechanism of the provincial police. You have the enforcement mechanism of your MNR officers, and as we saw and experienced last summer you are also a part of the Dominion of Canada which has the right to call in the army to resolve issues.

When I am talking about leverage, what leverage do I have as an aboriginal person in this country to be able to bring you to the table to have you resolve issues? If you do not want to resolve issues, what leverage is there for me to force you to do that? I am saying we have no leverage at this time. The only leverage we have in this country right now is civil disobedience as a method of being able to bring people to the table.

As I said earlier, the other thing we have had as some kind of leverage in the past is that we saw a changing attitude of the courts in dealing with our rights, but that is not necessarily a leverage we can utilize because we know leverage takes years and years. The process of Bear Island, for example, what has it taken; 17 years to this point. That

is not a leverage we can count upon. That is what I am talking about in terms of any capacity we have to get people to conclude arrangements. People are willing to come to the table, but to conclude arrangements is a different thing and that is where we lack the leverage.

Mr McLean: So the statement of a political relationship is basically a statement, but how are you going to get them to the table?

Mr Peters: It is a statement to bring people to the table. We are depending absolutely on the trust of the Ontario government, again, to conclude some of those agreements with us. At the heart of the matter we are talking about is the jurisdiction for our communities, the jurisdiction of our people, that we continue to claim has never been taken from us in any form.

Mr McLean: Have you had a chance to determine what your priority would be once you get to the table?

Mr Peters: We have our own list of things that have to be worked on. Number one is lands and resources as an outstanding issue; two is treaties; three is jurisdiction and four is protection, whether it be through the Constitution or whatever vehicle you can provide as protection. We think those things combined will be the area we need to be able to deal with effectively and to be able to see some change in that will signal a change in the status quo in Ontario that we have a direct political relationship with the government of Ontario and that there is a willingness to resolve some of the outstanding issues.

Mr McLean: How long do you think it will take before the first discussion around the table will be?

Mr Peters: I think we are into discussions now. The preliminary discussions have started and I think we are at the point right now that we are starting to look at ourselves and to understand what those priorities are that we are going to have to deal with. It is clear to us that we are not looking at 130 arrangements for 130 communities in Ontario. We are saying that if there are areas we can deal with that we can break through on, particularly in the area of jurisdiction, those will become a priority. We will focus on those and we will deal with those.

Mr McLean: I appreciate your comments very much.

The Chair: I would like to thank you, Mr Peters, for coming before this committee. It has been very informative.

Mr Peters: Thank you for the opportunity. I say again, our struggle is one of survival now, and I hope people are able to come to terms with the fact that survival depends a lot more to us based on ourselves as a people, as opposed to what financial resources are available to us from the governments. That is a positive step we can both look forward to in the future. Thank you.

The Chair: Thank you for attending. Okay, we are going to be recessed until 1:30.

The committee recessed at 1214.

AFTERNOON SITTING

The committee resumed at 1334.

ONTARIO CHAMBER OF COMMERCE

The Chair: Would the Ontario Chamber of Commerce come forward, please. We will resume our hearings on the budget review. I would like to welcome you to the standing committee on finance and economic affairs. Before you start, would you identify yourself for the purposes of the record? You have one half-hour, and at the end of your presentation, within that one-half hour period, try to leave time for questions from the three parties, and it will be going off with the Liberals on the first set of questions.

Mrs Matthews: My name is Linda Matthews. I am a member of the board of the Ontario Chamber of Commerce, and with me today is Mr Don Eastman, who chairs the economic policy committee. Once again, we would like to thank you for having the opportunity to meet with the committee this afternoon.

The Ontario Chamber of Commerce represents, as I believe most of the people here know, 65,000 businesses in the province through 165 local chambers of commerce and boards of trade, and our membership encompasses both the small entrepreneur and the large multinational corporation throughout this province.

I believe it will come as no surprise to this group to learn that the business community has been apprehensive of this government. We have a very deep concern that the government's intentions, without a fundamental appreciation of how the market economy works, will result in lower standards of living for all of us.

The Ontario chamber approached the budget process with a number of basic questions: Does the government understand that we live in a market-driven economy? Does it understand that it is the market-based side of the economy that generates the wealth that makes quality social programs possible? Does it understand that because this province's economy is based on manufacturing and services, it is far more mobile and therefore more fragile than resource-based economies of most of the other provinces in this country? Does it understand that the province's economic success depends critically on business believing that this is a good place to do business? Is the government prepared to work towards developing a meaningful consultation process on the budget?

We were not able to find a positive answer to any of these questions in the April budget. Perhaps today we can make a start at finding at least one positive response.

I would like to ask Mr Eastman to carry on with our presentation with respect to some of our specific concerns.

Mr Eastman: Very early in his budget, the Treasurer spoke about ensuring that the costs of adjustment are shared fairly. He then presented a budget that placed all of the burden on the market economy while those in the public sector shared none of the pain.

This government was faced with a very difficult budget environment. It walked into a severe economic recession that was not of its creation. It also faced a situation where

the business community's confidence in this province was already low as a result of a series of costly legislative initiatives, tax increases and new taxes at both the federal and provincial levels.

When we talked to the Treasurer in advance of the budget, we identified two major challenges for him: The first was to reduce the inflationary pressures in the province and help permit a sustainable economic growth and the employment opportunities generated, and second, to restore business confidence that Ontario is a good place to be in business. We did not, under the circumstances, call for a balanced budget.

In a recession, the government's social spending responsibilities increase at the same time that revenue shrinks. Balancing the budget would have required a damaging increase in taxes and a tragic cutback in social services. The circumstances did call for a large deficit. A good budget would have had a smaller deficit, but it still would have set a provincial record. That record should have been financed from the surpluses generated during the previous good years. Unfortunately, during the good period, we continued to add to our debt.

With the current budget, the deficit we get is not large; it is immense. We see no meaningful restraint in other areas to help free up the funds needed to alleviate recession-driven social hardship. We did not see priorities set and choices made consistent with the economic difficulties that we face. For example, we note that in other recent provincial budgets there were plans to curtail public sector wage settlements.

1340

One of the major messages that we tried to convey to the Treasurer was an understanding of the factors that lay behind this recession. Inflation has played a major role in the process, and much of that inflation arose with the provincial government. The provincial government has added to inflation with new and increased taxes that show up in higher prices for goods and services; it has added to inflation by increasing business costs; and it has added to inflation with relatively generous, high-profile settlements in the public sector.

Sustainable economic prosperity demands more government attention to how it impacts on costs and inflation. Those concerns were not reflected in this budget. Ontario has both deepened and lengthened the recession by aggravating the inflation problems that the recession should have cured. Recovery will be weaker and will not generate the number and quality of jobs that we would normally have expected.

The budget relies on the damaging myth that government spending creates jobs. If that were really true, given the federal deficit, where did this recession come from? Spending your way to prosperity does not work. If it did, we would not in this country have seen any recession. No government can continue to spend more than its taxpayers can afford. The lesson from the federal experience is that persistent large deficits result in a socially and economically

depressing combination of higher taxes and reduced government services.

One of the additions in the budget was the addition of a three-year fiscal plan, and we welcome that. However, that addition is only useful if it becomes an active planning tool. There is minimal action on the deficit over the three-year fiscal plan. Deficits are projected of \$8.9 billion in 1992-93, \$8.4 billion in 1993-94 and \$7.8 billion in 1994-95. For us, those deficit projections are even more disturbing than the size of the current \$9.7-billion deficit, and we are not even sure about the \$9.7 billion.

One of the major problems that we have with this and with previous budgets is our concern that we are not getting the full story on the government's financial position. For various reasons, the province does not use normal business accounting practices, but provides its accounts on a cash basis. On this basis, it is irrelevant when you get the bill; the only thing that counts is when you pay it. "Gee, honey, we've got a surplus this month. I didn't bother paying the mortgage." This cash approach provides a lot of room for window-dressing budgets by pre-paying or delaying bill paying. It also leaves some very major unfunded liabilities, such as pension obligations and Workers' Compensation Board shortfalls, out of the budget process.

The other major problem in looking at the budget numbers is the split between operating and capital expenditure. The concept is good, but unless it is done properly, it is terribly misleading.

The budget presents the capital expenditure numbers as though they represent a net increase in the province's capital assets. The implication that we are encouraged to read into the numbers is that it is only the operating deficit that we need to worry about. It invites the misinterpretation that if we actually did manage to have an operating surplus, we would be increasing our assets, and our children's assets, more rapidly than our debts. That is not true.

This particular presentation of operating and capital expenditure pretends that there is no obsolescence or deterioration of the existing capital stock. You count the bright new bridge, but forget that it simply replaces the one that fell in the water. Without the concept of depreciation, there is no way of knowing whether capital spending is even keeping pace with deterioration and obsolescence, let alone exceeding it. Until the government is willing to develop a meaningful measure of depreciation for its capital assets, it is irresponsible to present operating and capital numbers in this fashion.

The net result of the accounting practices is that we really do not know what the real budget deficit is. We suspect that it is probably larger than the \$9.7 billion that is indicated. It is even possible it might be less. We simply cannot tell, based on the information available to us, and neither can you.

Mrs Matthews: Overall, this budget reinforces our concerns about the economic environment for business in this province and its long-term future, and aggravates the deterioration in business confidence that was unfortunately under way. This budget and its accompanying future fiscal plan are bad news for this province's taxpayers. Government deficits are merely a promise of future tax increases.

In his concluding remarks, the Treasurer wrote about finding a new consensus for the future. He went on to indicate that Ontario is prepared to play a constructive and positive role in this endeavour. We believe that consensus is desperately needed. I would like to read the quote we have included in our presentation as well because I believe it says it best:

"You cannot bring about prosperity by discouraging thrift. You cannot strengthen the weak by weakening the strong. You cannot help the wage earner by pulling down the wage payer. You cannot help the poor by destroying the rich. You cannot establish sound security on borrowed money. You cannot keep out of trouble by spending more than you earn. You cannot build character and courage by taking away man's initiative and independence. You cannot help men permanently by doing for them what they could and should do for themselves." Compliments of Abraham Lincoln.

Our recommendations are addressed to the development of future budgets. To foster a healthy economy, it is necessary to maintain business confidence in this province. To that end, we recommend:

1. Maintain a stable and predictable tax environment which in part could be achieved by finding more ways of opening up the pre-budget dialogue.

2. Refrain from taxes that penalize job creation; where personal income taxes approach 50% marginal rates, they do become counterproductive because of their negative impact on the incentive system.

3. Ensure that public sector wage settlements are responsive to the anti-inflationary pressures that the private sector is subjected to; the current environment called for substantial restraint.

4. Do not undertake costly and unnecessary new programs. I certainly bring to your attention the rally that occurred at city hall today where 4,000 insurance industry employees were rallying against a government takeover of automobile insurance.

5. Provide the public with the province's full financial picture. Showing capital expenditures in the context of depreciation figures would assist.

That ends the formal part of our presentation. We are ready for questions.

1350

Mr Kwinter: Thank you for your presentation. I am really pleased with your comment at the top of page 5, because I think it is important that it is put into the record and that everybody understands exactly that problem. A budget is a road map of where the government thinks it is going. Whether it is right or not no one will really know until the end of that road.

It is interesting when you say "by pre-paying or delaying bill-paying." In this budget there was a common feeling among economists that the magic figure for the New Democratic government was \$10 billion. No matter what deficit they brought in, they were going to be in trouble, but if it went over \$10 billion they would really be in trouble. That was sort of the brick wall that would bring

body's wrath down, not just 90% of the community's.

As a result, you suddenly see on page 48 in the budget they discharged the Urban Transportation Development Corp loan guarantee. No one was asking them to do it had to become due in this next fiscal period. They had \$407 million. No one asked them; no one said they had to do it; they decided to do it. They decided to write it off. Stadium Corp, the dome. Nobody was pushing them to do it. But they knew it was an obligation they would have to carry forward next year and that it would show up in the budget, so they wrote that down. They made a special payment to the teachers' pension fund that they would have had to make anyway, and they wound up by attributing \$925 million to last year's budget. The main reason for this was strictly political. First of all, they thought they had got away with blaming it on the previous government; and second, if they did not include it in the budget, the total would not go over the \$10 billion, and that is the problem we have.

The budget allows for any kind of manipulating the economists in the Treasury department can come up with to put the best face they can on this, but this is what I think we have to do. You make a comment but you do not elaborate. You say the \$9.7 billion is bad enough, but even worse are the other projections of the three years coming. Could you just explain why you consider that to be worse than the \$9.7 billion?

Mrs Matthews: Just from its cumulative impact, we are now looking at doubling the debt of the province in the space of four years. As we explained in our presentation, what that is going to do is further exacerbate business in being able to compete in this province. It is going to have a very bad impact on the business community from the standpoint of recognizing that future tax increases are the way we are going to be able to pay for that debt.

Mr Phillips: I really appreciate the chamber's brief. I said to many groups, the problem we are having here is that the groups are coming forward and it is almost like predicting the weather a year from now. One group says it is a great budget and another group says it is a terrible budget. The reality is that if it is lacking in something, and I certainly think it is, it is in the economic creation. Our country is deadily worried about the future economic growth of the province and, as you rightly point out, the deficit is going on for ever with the \$7 to \$8 billion we think is going to inhibit growth.

I really do appreciate your comments on the operating and the capital thing. I am of the opinion that the Treasurer will try to say next year, "We have a deficit of \$4.5 billion," when they will be spending \$5 billion, just like depreciation. If this were a business, you would show a depreciation cost of \$5 billion every single year. I appreciate very much the chamber's position on this. I urge you to stick to it because I think the budget next year will trumpet a \$4.5-billion deficit, but we will spend \$5 billion on capital every single year and maybe only show \$200 million worth of costs. I think that is part of your window dressing on the budget.

I understand the recovery is well under way now; at least as I read the papers it is well under way. In terms of the kind of future investment in Ontario and what we are seeing from the chamber, are you seeing in your chamber members, if there are any, who may have been thinking of leaving the province? Are they reconsidering now? Are you starting to see that turnaround and therefore the light we are reading in the paper now?

Mrs Matthews: I think perhaps that is a two-pronged question: One relates to recovery from the recession; the other relates to business confidence in the province. I agree. I think the signs are there that the recession is abating and that we are coming out of it. I am not convinced that business confidence has been restored in the province of Ontario.

Unfortunately our members are still talking about some of their clients who have withdrawn capital from the province, some of their clients who are leaving the province and some of their clients who are not making the capital expenditure decisions we would hope they are making.

Mr McLean: I have sat for three or four days now listening to presentations. Of about 30 presentations we have had, about three have dealt with the budget in the manner you have, indicating your concerns with regard to the deficit. This morning we had the Ontario Secondary School Teachers' Federation in here. They think it is a super budget and they blame business for not paying their fair share. When I look at the empty buildings all over this province, when I talk to business people and their concern about all the deductions and all the payments they are making now—and the reason some of them are leaving is that—we are in a real problem here in Ontario. Business fears are very real. We read that in the paper. I think they are very real and the economy of this province is really in a problem. Everybody is saying business has to pay more taxes. I do not know where we are going to get off. I have not any specific questions. I appreciate your brief, but I am sitting here all week listening to these presentations. It is not a very good feeling.

Mrs Matthews: Could I make a response to the point? Certainly the business perception in this province is that Ontario's tax structure is already less competitive than that of Alberta, British Columbia, Quebec and the five bordering states. If that means business is not paying its fair share, I beg to differ.

Mr B. Murdoch: I was going to carry on with what Al was saying: With the deficit funding for the next four years, do you feel that business will be able to pay that? I do not know where else they are going to get the money. You basically answered that when you answered Al, so it is okay.

Mr Sutherland: Thank you for your presentation. I want to talk about point 5, particularly about a meaningful consultation process. It seems to me your organization was before this committee in the pre-budget hearings. I take it you also met with the Treasurer beforehand.

Mrs Matthews: Yes, we did.

Mr Sutherland: We are going to have to establish a definition of "consultation" in this province and with the

government, because I do think that is a meaningful consultation process.

Mrs Matthews: Could I respond to that? We certainly have had discussions with the government about the meaning of consultation. It is not simply "meeting with." What we are trying to establish is a way, a model, and in fact we made representations on a model that did work in the past of how we could "consult with" as one of the participants—not just business and government; business and the other interested stakeholders, if you want to use that term—in a meaningful way where the input was more than just listened to and disregarded.

Mr Sutherland: You also talked about the reasons for the recession. You blamed it on government spending and talked about taxes. You must note that there are no increases in corporate taxes in this budget for this specific year. I see no mention in here of two other things: a free trade agreement which I believe your organization supported which has allowed capital to move that much more quickly to the United States; combined with what I would call a somewhat misguided policy by the Bank of Canada in terms of a high interest rate policy, that is to slow down the overheated Toronto area economy. The Bank of Canada governor has said that on several occasions.

That combination of factors has created the worst recession in over 50 years and called for the most significant adjustment in our economy in that much time. If we are going to carry out an adjustment in the economy and be in a good position to recover, I would like to know how people think we are going to do that when we cut the services people are going to rely on to get them through the toughest period in our history in 60 years.

Mrs Matthews: I guess we alluded to some of those suggestions in our presentation. We could go back over them again. I do not know whether you want to add some new material.

Mr Eastman: There are a couple of points I would like to make. The recession was well under way before this government took office. It had nothing to do with this budget; it had a lot to do with the things that happened previously to that, but they were largely related to what the governor of the Bank of Canada saw as a disturbing rise in inflation and his belief that he had to control it.

Whether that philosophy of tight monetary policy was appropriate is another topic. I personally think it was not, but in terms of his responsibility and what he was looking at, which was a dramatic increase in inflation, he had a legitimate concern. I think it is up to all of the rest of us to then have a look and try to understand where that inflation came from and if there is not some way we can help to keep it under better check than simply deciding that we have to increase unemployment. I think that is a fundamental issue and one we really need to address.

The Chair: Mr Jamison, you have one minute left.

Mr Jamison: In your public submission, you say: "The circumstances did call for a large deficit. A 'good' budget would have had a smaller deficit." You go on from there to explain vaguely your case.

We are here to talk about more specific subjects in budget: transfer payments to municipalities, which your members, and so on. Most people who have I opposed to the budget and speak about a smaller level what should that level be and where should the cuts be taken place? Have you spent any time in figuring out what types of cuts there would have had to be to achieve the level you are talking about? Obviously you talk about a smaller level. What is it and how would you get there?

Mr Eastman: We deliberately did not quote a number, and that is not a surprise. I think that first you have to look at the areas where there were actual increases, and the extent that you—

Mr Jamison: I had a reference here that you did have a smaller number in mind. You did not?

Mr Eastman: No, I am talking about increases in areas where the government spends money. I think that is the first place that you address. So you have increases in pay for increased wages for the public sector. Increases also flow through to help finance public sector wage increases at the other end of the transfer process. Do you know what I am saying? This is all occurring at the same time that we are in a recession and we have negative growth. There is actually a smaller pie.

Mr Jamison: So what you are saying—

The Chair: I am sorry, time has run out.

Mr Jamison: Just a clarification for my own understanding, because I am rather confused.

The Chair: You can talk to him out in the hallway, Mr Jamison. Time has run out. It is fair that between all the parties everybody has equal time.

Mr Jamison: You are saying that the reduction in numbers would have been—

The Chair: Mr Jamison.

Mr Jamison: —that the public service wage increase would have been an acceptable—

Mrs Matthews: I do not believe that is what we were saying.

The Chair: You can ask them out in the hallway.

Thanks for coming to the standing committee on finance and economic affairs.

1400

PEOPLE AGAINST THE NDP BUDGET

The Chair: The next group we are to hear from is People Against the NDP Budget. Would you come forward, please? I would like to welcome you to the standing committee on finance and economic affairs on the budget review. You will have one half-hour. In that period of one half-hour, present your brief, and at the end of your brief save some time for questions and answers. The time will be divided equally among the three parties to ask questions. We will be starting off with the third party, over to the government and then to the Liberals. That is the order in this particular session. Would you please identify yourself for the purposes of Hansard. You can begin.

Mr McBride: My name is John McBride. I am a co-organizer and spokesman for People Against the NI

udget. I am chairman of Great Lakes Minerals, which is a mining company listed on the Toronto Stock Exchange. Beside me is John Slattery. He is also a co-organizer for People Against the NDP Budget and is a pension investment marketing officer with Great-West Life. He has an economics background.

People Against the NDP Budget: We wanted to first tell you who we are and then give you a brief overview of the way we see things. We are a group of ordinary Ontarians with no political affiliation. We believe we are unique in that regard. We do not represent a special interest group. We are not here asking for money. We basically formed to provide a forum for the vast majority of Ontario voters to speak out in dissent of this government's economic policies. As you may know, we conducted a poll through Enbridge, the results of which stated that 65% of Ontario voters favour a balanced budget over the next four years. We believe we are representing the majority view.

We are people who want to remain in Canada and in the province. We conducted our first rally on May 16 because we wanted to create an opportunity for people opposing the budget to be heard.

We are speaking out for ourselves, not the organizations we work for. Although many of us are self-employed, there is more a philosophical thrust. We are people who feel that in the April 29 budget, the bottom line is fiscally irresponsible. Our goal is for the Ontario government to write the budget before it becomes law and to reduce anticipated deficits. In our assessment, this budget is shortsighted and will lead to lost jobs, lost investor confidence and a corresponding exodus of talent and business from the province.

It is not our intent to instruct the government in detail on each and every issue. For government to ask that of us would be an abdication of its inherent responsibilities. We do believe, however, that we are entitled to provide government with parameters of acceptable behaviour. One such parameter is to manage the provincial economy in a prudent and responsible manner.

A government intent on shaping society must recognize that the most effective social policy is intertwined with an industrial policy that encourages an economy to grow at its maximum non-inflationary rate. A prospering economy provides opportunities for individuals and resources for governments. The government has a role in achieving these goals; however, a government that over-regulates, burdens its producing sector with excessive taxes and is inflationary will cause economic growth to fall well short of its full potential. We believe this is a failure for society and for the individuals who comprise it.

Again, at the core of our group, we believe the following: Government's role is more that of a facilitator than a provider; a prospering economy provides an opportunity for social change; individuals should have maximum choice and freedom; social support should be effectively targeted; efforts should be directed at the cause, not the results, of problems.

I think it is important to highlight our actions to date. We have held two successful rallies at Queen's Park. We have appeared on most public-interest shows on radio and

television. We have logged over 2,500 names and numbers of people who have phoned in our support. We have received over 15,000 letters from people across the province. We have participated in all committee hearings to date on the budget and in roundtable discussions set up by the NDP. We have been generally active in the public press as advocates of fiscal responsibility. We have distributed information throughout Ontario to various supporting groups, and we have served as a liaison with other groups adversely affected by the budget. We have supported other groups at various rallies and discussion groups, and we have met a host of economists and experts in finance to discuss the budget.

Again, we have conducted two polls. One indicated that two thirds of those polled strongly agree that the provincial government should balance its budgets over its term. Some 80% of participants believe the foregoing should be included on the ballots for the forthcoming municipal elections.

That is just a brief overview of who we are, what our goals are, and some of our activities to date. I will now turn it over to John Slattery, who will go into a little more depth—as I said, he has an economics background—as to the direction we see the economic policy of this government should take.

Mr Slattery: I am going to make a number of points. I have six points on the next page that we are trying to address here. All the points are consistent with our core philosophy that John articulated: that government is a facilitator, not a provider; that individuals have as much choice and freedom as possible.

We think the way in which that could be brought about is through controlled government spending resulting in a balanced budget over the term of a government. Running deficits that will burden future generations is, we think, irresponsible. We think it is unfair. We are basically ensuring a diminished lifestyle down the road for our children and grandchildren, and we think that is probably a little selfish. We think one way of achieving that is by reducing the tax burden, thereby enabling the producing sector to produce.

1410

A great deal of emphasis is placed on the expenditure side of the budget. Probably not enough emphasis is placed on the other side of the budget, the revenue side. We believe this budget will retard the ability of the economy to produce, thereby limiting the sources available for government programs and for individuals' own expenditure. We think that will frustrate the government's programs and social change. We think it will also limit their success in said programs.

We believe job creation and skills development should be emphasized to a much greater degree. There again, that is giving individuals the skills necessary to enter the workforce, thereby enabling the producing sector to do what it does best.

We believe the tax structure is, to a certain degree, prejudicial against small business and the development of that particular sector. Small business is responsible for the

lion's share of job creation over the last 10 years. We think that is an area that probably is not getting enough support through government programs.

We sincerely believe that one of the best ways to ensure social equality is through promoting non-inflationary growth. Inflation steals from people and gives to other people. It distorts asset allocation. It is negative for all concerned, meaning excessive spending. Debts rising in real terms to GDP is inflationary, and as a consequence will limit the province's ability to produce and to live a lifestyle that we would like to live.

On the government spending side, we are somewhat sympathetic, I suppose, to this year's problems. Certainly the deficit is largely a result of adverse economic conditions. The total of \$9.7 billion probably is higher than it needed to be. There is probably \$500 million to \$2.5 billion of additional spending, but we acknowledge that limiting the deficit to \$3 billion would have been very difficult and probably unrealistic. However, not uncommon to others, our concern is the size of the deficits in the next three-year period, resulting in the doubling of our outstanding debt.

Government is forecasting a period of growth, yet there is no contraction in the amount of expenditures. The government, when it talks about expenditure cutbacks, is really saying, "Well, it'll grow less quickly." We are still talking about real growth over the next three years in expenditures, and we do not think that is responsive to the economy and to the future wellbeing of the province.

Getting on the revenue side, which is the other side of the equation, we are a little concerned about what the budget tells us. There are figures of an average real growth of about 3.7% and inflation of about the same, totalling 7.4%, in nominal terms, of growth over the next period. Revenues are expected to grow at 9.8%. There is a gap there. The government also acknowledged in the budget that revenues tend to grow at a rate of 90% of the underlying economy. That makes for a differential which will have to be funded, we suspect, by taxes. In fact, the budget, I think, has an interesting quote: "Revenue moves may be required to achieve this [revenue] target." Simple translation: higher taxes.

We have a situation where we are in a recession. Taxes were raised this year, which is a little unusual in a recessionary environment. The prospect is for higher taxes in the future. Business and individuals already feel quite heavily taxed. We are at a disadvantage on a competitive basis versus our trading partners. We are not living in a vacuum or a closed economy. We have to be responsive. We have to be aware of how we can and cannot compete against our trading partners. This prospect of increasing taxes is very discouraging for all concerned.

It was certainly demonstrated in the early 1980s that an effort to try to spend yourself out of a recession—and this is certainly the federal government's effort—is very shortsighted. It is just delaying a day of pain. With the federal government's situation, almost one third of its revenues are going to interest payments. Continued deficits of this magnitude, as was talked about in this budget, will result in an increase in the share of our revenues going towards interest payments, largely to foreigners, thereby reducing the

government's ability to exercise any kind of fiscal management on the economy, thereby frustrating any kind of effort the government may have in trying to direct economic growth and social change.

We think the budget was a little lax in trying to establish a tone for future deficit reductions. There were really no documents or discussions beyond the budget to make people aware that we are living beyond our means, that we are going to have to have an adjustment in our priorities. We are going to have to recognize that we cannot maintain an artificial lifestyle, as much as we may enjoy it. It is beyond our current means. We either have to produce more in order to justify our expenditures or we have to reduce our expenditures. You cannot really have it both ways. What we fear about this budget is, it is going to end up increasing the expenditures and retarding the productivity side of the equation, further distorting future policy.

I talked about the importance of small business and I think this really needs to be emphasized. The current structure is somewhat prejudicial against small business, more and more taxes are being collected through payroll means. That is putting a disproportionate strain on small business. We would like to see greater effort made at stimulating that kind of activity.

Fiscal and monetary policy—and of course, this is an interesting one. Everyone is blaming everybody else for high interest rates, inflation, GST, whatever you have. We would like to see a concerted effort between every level of government to bring down inflation, thereby enabling interest rates to come down. One of the ways, of course, is to spend less than you are earning. We believe that this budget, with its high deficit load, will be inflationary. Debt is going to rise to the share of GDP and that is going to increase rates in real terms. We are going to have higher inflation and higher real interest rates than we would have otherwise, and that is going to be painful to business and the consumer alike. It is positive for nobody, other than the foreign lender of funds to this province.

We talked about productivity, and I think that has been sort of bantered around somewhat excessively—productivity, competitive edge. Many of the people of our organizations are spending a great deal of energy trying to improve their own competitive structure within their own activities and at whatever level of business they happen to be at. Increasing the competitive edge, as it were, does not necessarily necessitate a reduction in labour wages. Wages for labour is a major input in the cost of production, but it certainly is not the only one. Other major costs which the government does have direct control over, of course, are taxes and the cost of capital. We think a concerted effort made by every level of government to bring down these two components of production cost will enable business to grow, will enable the pie to be shared in a more effective manner, will do more to make the plight of the poor and unemployed more enjoyable. They will be in a position to enter the job market.

In conclusion, we are concerned about the future. We recognize the government has some difficult situation, that it inherited an economy that was somewhat burdened by debt already, that had social structures in place that

re raising costs beyond any control it had. We are concerned that there is no long-term recognition of the structural changes that are ongoing in the economy at the moment, that little to no effort is made to address these. It seems to be spending as if we are just enjoying the 1970s when things were tremendous for us. They are not. We are in a different world today and I think we have to recognize that. I think policy has to be designed accordingly to that reality. That concludes our formal presentation.

The Chair: Mr McLean, about four minutes.

Mr McLean: I appreciate your input into the deliberations we are having on the budget. Of about 30-some, you are about the fourth who has given us a full review of what the deficit is going to mean in about four years' time. Tax freedom day is about August 5. With doubling the budget, do you have any idea when tax freedom day would be in four years' time?

Mr Slattery: Further down the road, of course. I suppose you have to make an assumption of interest rates and a variety of other factors. Certainly it will not be less. I think that is a given.

Mr McLean: Do you have any members in northern Ontario, in Thunder Bay, Sault Ste Marie or Sudbury?

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Mr McBride: Our core group is made up of about the same people here, but there is an effort in Sudbury that was organized during the summer. I went up to visit with some people up there who support us. I have had telephone conversations with supporters from Thunder Bay and many other areas across the province. I am not sure what the last count of letters is, but well over 10,000 letters have come from across the province and certainly a lot of them are from those areas. We are not a well-funded group, so it is not like we can go to a lot of these outlying areas and mobilize.

Mr McLean: The chamber in three of the areas we were at were the only ones that gave much of an indication of how you have with regard to the business aspect. This morning we had the OSSTF here praising the budget and how great it is and saying that perhaps they should have spent more money.

Mr McBride: I actually noticed when I looked at the list of those who requested to appear and those who are appearing, it is somewhat of a forgiving group that is smattered with a dose of people like ourselves, but I am not surprised.

Mr McLean: We got that from northern Ontario quite a bit. We even had spouses of NDP candidates telling us how good the budget was, so I would not really have expected much else from that type of indication. I really do not have any other questions for you at this time.

Mr McBride: It would be helpful for me to know, not being that politically astute or aligned, what parties you people are—

Mr Christopherson: Since my microphone is on— You will know at the end of it, I can assure you.

Mr McBride: We can guess from your comments.

Mr Christopherson: Up to the middle here on this side is the government. My two colleagues who just asked the questions are PC and our three friends on the other side are the Liberal Party.

Thank you, gentlemen, for an interesting, well-presented point of view, one I do not, obviously, entirely agree with. However, you have obviously done your homework and you have brought forward a sincere concern you have and I respect that and appreciate you participating in these hearings.

A couple of things I would like to mention and then a direct question. One is that it is interesting, when one talks about tax increases, that this government's first piece of legislation was not to stack the GST on top of the provincial sales tax in the middle of a recession, keeping \$500 million in the pockets of consumers. That was our first measure, and I just think that needs to be stated.

I will move on to an acknowledgement that in the paper yesterday there were reports that Mulroney's federal Tories, who are sort of juxtapositioned as the alternative to what we have done and are supposedly the fiscally responsible party in the political sphere, their projected deficit of \$30 billion may now be miscalculated to the point where their miscalculation is greater than our entire deficit. They are projecting a possible \$40-billion deficit, as opposed to \$30 billion projected, over ours, which is \$9.7 billion—

Interjection.

Mr Christopherson: Let me get my thing out and then you can respond, sir, and I hope you will.

I just think it needs to be pointed out that no one has a corner on sanctimony, nobody has a corner on fiscal responsibility, and I think we ought to be looking at that. Bear in mind that this economy is 40% of the Canadian economy, so there is a relevance there.

I would like to talk about a statement that one of you made, and I am sorry, I cannot remember which one, that there is this perception that people feel the government takes the approach that we are spending beyond our means, and that we need to recognize we are in a different world, not the spending 1970s.

There are some economists who are supporting what we have done. One of them has said that it is not so much the dollar deficit value that matters in a province but rather the ability of a province to pay it, and when it is only 12% of all the revenues collected to pay the debt, we are maintaining, and are supported by a number of economists, that it is not unreasonable for us during a time of recession to support that kind of debt payment.

My question to you is, when we talked about living beyond—

Mr McBride: I am sorry. Who is the economist you were referring to?

Mr Christopherson: Oh, I do not have the name. I can get you the name. We can get it, probably before you leave here.

My question is directly to you. If we are living beyond our means and you really believe we should not have spent the money we did and we should cut back, what would you say to the disabled in Ontario who have always felt

that they lived in a different world? They were not getting support when there were boom times; to be told they cannot have them in recessionary times is very difficult for them to accept, many of them living below poverty level. What would you say to families that need housing; construction workers who came here this morning and said that if it were not for the measures in this budget, the \$700-million anti-recession invested in capital projects which will return something to society, a lot of their members would have been out of work; to municipalities who, if we flatlined as the previous government did in good times, would be passing on higher property taxes to small business, which you are as concerned about as we are; to boards of education which would be in the same circumstances? What would you tell all those people, in the context that this debt is at least arguably manageable, who are in need and who look to the provincial government to be there?

Mr Slattery: Before I address those point by point, I am curious. For example, your case of the handicapped: when they were making their presentation to you and were asking for more money for a variety of reasons—and I think they are legitimate—did you ask them where they thought the money would come from?

The Chair: Excuse me, but we are running out of time here. I would appreciate if you wound up.

Mr Slattery: Certainly I think it is a little unfair to place that responsibility on us.

Mr Christopherson: But we have that responsibility and we think it is unfair to ignore that. I am sorry, Mr Chair.

Mr Phillips: He did not say to cut the spending.

Mr Slattery: I did not say that. I did not say to cut the spending. I was wondering whether you asked those people who were requesting additional funds where they thought those funds were going to come from. I suspect not. So you are putting that burden on us, and not necessarily asking other people to make that allocation choice.

Mr Sutherland: You mentioned your Environics poll and you said that 65% wanted a balanced budget by four years. Did you also ask the question, would they want a balanced budget in four years if it meant a drastic cutback in social services? Because I think that is the crux of the issue. People say they oppose a deficit, but they also want the services.

Mr McBride: Listen, there is no question that everyone says, "Well, yes, we'd love a balanced budget," and then when everyone says, "Well, we're going to cut you and cut you," everyone starts to backpedal a bit. But the whole point is that someone has to make these tough decisions and you are not making them.

Mr Kwinter: I have three observations I would like to get your comment on. One borders on the last question. The NDP claims that most people, and we have certainly seen it in our travels in the north, are supporting this budget. They say, "The people who've been appearing before us all support the budget." If you take a look at who they are, you can tell before they even say anything where they are going to be. Your poll shows something different, and I would like to get your comment on that.

Second, we have had many people who are supporting the budget claim that business and the wealthy are not paying enough and that they should be paying more. I would like your comments on that.

Mr McBride: Well, that is misguided.

Mr Kwinter: Finally, I would like your comment where in the very first line you say your goal is to rebalance the budget. What do you think your chances are?

Mr McBride: I will just address the goal. All you can do is give it your best shot. It is not law yet. We have been keep hammering away, we have to keep showing up on these things, we have to keep in front of the press, we have to harness that support that is out there, just keep hammering away at them.

The poll suggests, and the less scientific demonstration of that is these letters that we are receiving from across the province, thousands of letters, that we touched a raw nerve. People out there are upset. All we can do is try to appeal to the government to adhere to what the majority of Ontarians are telling them.

We are hoping that as a result of the backlash that they receive they will be more responsible in years 2, 3 and 4. So we think there is an opportunity for them to rewrite. We do not necessarily have great hopes for this year, but for the future years. All you can do is give it your best shot. Keep hammering away, try to effect damage control. At the very least, make people aware so that they do not get in again.

Mr Slattery: I enjoy the concept that business and the rich should pay more. It has in it the idea, "I shouldn't pay more, it should be somebody else, somebody else's responsibility." "We need prisons, but not in my back yard, somebody else's." Dumps—the same sort of thing: everyone else is going to have to carry the load for this individual. Unfortunately, that is not the reality. It is a collective cause we are supposed to be working towards.

In that whole idea that business should pay, the problem seems to be a belief that business is some third party that is unrelated to the population at large. People invest in business. It is people who own business. It is people who are employed at business. Business is just made up of a collection of people. I do not really think that you should be discouraging your producing sector with excessive taxes because if it cannot produce competitively, it will not be producing. That means those people who invested will lose money, those people who had jobs will no longer have jobs, and they will have much less.

So I think you should be encouraging your producing sector to produce, not disadvantaging it with heavy tax burdens. Ontario is already one of the most taxed jurisdictions in North America. To further burden them with taxes, you further reduce their ability to maintain wages and do those other things. I would rather see production less burdened and maybe more taxes collected in a fairer, user charge kind of manner.

Mr McBride: I just wanted to address that quickly.

The Chair: I am just going to give them one more minute for a quick question.

Mr Phillips: I appreciate many of the comments and do not necessarily totally agree with all of them, but I think present a good view and I would agree with you that there is at least \$10 billion worth of new taxes built in here in order to hit numbers of \$8-billion to \$9-billion deficits. I think you are right in those respects. I think you have based on the next three years as a big problem.

One way I think the government is going to try and solve the deficit is with the capital account fund—I do not know whether your group has had a chance to look at it or not—but essentially put all that into debt. If you are serious, you have \$5 billion worth a year of what I would call depreciation. They are going to hide all that in the next year they are going to say, "The deficit is \$5 billion." Have you had a chance to look at the capital account?

Mr Slattery: We have looked at it and we tend to agree with you, but whenever you are looking at government documents it really is a frustrating process because we are never certain as to what the numbers are really saying to you. They all add up and that looks pretty sharp, but what is the meaning behind the numbers? Because of the process, because of the secrecy, because of the way they do their accounting on a cost basis, there are all sorts of possibilities for some smoke and mirrors involved.

Mr Phillips: I would welcome your comments on this.

The Chair: I would like to thank you for appearing before the committee. Have a good day.

The group that was coming on at 2:30 was unable to appear, so the next group, which will be the Ontario Nurses' Association, will be coming on at 3 o'clock. This committee will recess for 25 minutes.

The committee recessed at 1433.

ONTARIO NURSES' ASSOCIATION

The Chair: We will call on the Ontario Nurses' Association. I would like to welcome you here to the standing committee on finance and economic affairs on the budget review. You will have half an hour for your presentation. In that half an hour, try to save some time for a question and answer period which will be divided equally among the three parties. Would you please identify yourself for the record and you can begin.

Ms O'Neill: Good afternoon. My name is Shelley O'Neill and I am a registered nurse employed at Women's College Hospital. I am the president of Local 80 of the Ontario Nurses' Association for Women's College Hospital. The Ontario Nurses' Association has established a legislative committee and I represent Toronto.

I am here today to discuss my views of the current budget. I intend to show you documentation which will demonstrate clearly that nurses in this province were on the leading edge of cutting health care costs. When Michel Wilson brought down his federal budget, he prided himself on saving \$5 billion because of his reduced transfers to the provinces. This strategy of divide and

conquer and putting the responsibility on to the provinces is at its finest. The federal government gets off the hook for fiscal mismanagement and the province is left holding the bag. On closer examination, there are no savings to the people of this province. Five billion dollars of our current debt is directly related to a decrease in revenues—you cannot collect income tax when 250,000 people are out of work—and federal savings as they cut back dollars from health care, education and social assistance.

In Ontario, the health care budget consumes one third of the total provincial budget. So when the media and opposition parties demand that we cut government spending, are you saying to the 55,000 nurses that once again we should have been patient, that it is a recession and we should be grateful that we even have a job? Nurses heard this song and dance back in the early 1980s. My compliments to the current government for recognizing my worth.

There are no stories about a nursing shortage now, and in fact there never was a shortage—only a shortage of nurses working. When the Ontario Hospital Association comes up with 103 ways to improve my work life, you know something is dreadfully wrong.

My expertise is health and I have brought a 1977 newsletter that the Ontario Nurses' Association produced in response to the government's determination to introduce a constraint program. The Minister of Health was Dennis Timbrell. He now heads the Ontario Hospital Association. He did not listen to the nurses in the province in 1977, so I doubt that relations with the OHA are going to improve in the near future.

When you look at the recommendations, it will be déjà vu for some of you. For some, it will be in a speech you read last week, and free of charge to those of you who wish to use it in upcoming speeches. I had considered selling these recommendations to the Honourable Mr Bouchard for a nominal fee. You have a copy of the recommendations in the brief that I gave you and I just want you to look at a few of them.

In 1977, we recommended funding for a nurse practitioner. It is well documented that nurses can do 60% of what a doctor does. According to the College of Nurses of Ontario, we do not have a nurse practitioner program. We recommended increased funding of the home care program and establishing long-term home care programs throughout the province. That was in 1977, and we seem to be close to implementing some of that now. We recommended that the government commission and finance a comprehensive study into manpower and productivity in nursing services. I believe the ministry is now planning to establish a health planning/resource planning agency. We also recommended that we look at communities managing their own health care and that we look closely at Quebec and the way it does it. Quebec has decentralized its health care system by making 11 regional authorities and 160 community health and social services centres. I caution you not to have another layer of bureaucracy.

In conclusion, it said that we should be a part of the planning process. In 1989, regulation 581/88 was introduced whereby nurses were to be involved in hospital

planning. It is now 1991. The success is moderate, but I would not say completely successful.

There is something very wrong when constraints are brought in and costs still keep rising. I would suggest that a public inquiry be done into hospital spending and, failing that, the Provincial Auditor should have greater access to how hospitals spend their money. For example, in a March 1986 article in *Hospital News*, Vickery Stoughton said that the merging of the Toronto Western Hospital and the Toronto General Hospital would save approximately \$10 million: "We know this merger can save both institutions money. That money can be redirected to the programs doctors want for the patients they serve."

The operation budget in 1986 was \$230 million, and four years later their budget is \$323 million. That is an increase in spending of 50%. You do not blame this on salaries, because there were no significant wage increases in that time frame. The media have been reporting that hospitals are crying the blues and closing beds as a result of the nurses' contract. Bed closures are too easy and hospital administrators refuse to look at what is going on internally.

Do any of you remember the ad that the Ontario Nurses' Association had in the paper when it found that hospitals were paying \$37.50 an hour for agency nurses? Are you aware that hospitals in Metropolitan Toronto have their own nursing agency? The company is known as Carcor Health Services Inc and it charges \$28.95 a hour, but it pays the nurse only \$18.40. This company is operating on taxpayers' money. There is more to this company than just a nursing agency. They purchase bulk equipment, among various other things. The concern I have now is that this company is facing financial difficulties.

Nurses worked for agencies because the salaries were slightly better. They could work shifts according to their lifestyle and could work more hours than the hospital would allow them. How many dollars did hospitals waste when all they had to do was treat their staff with respect and understanding? I would recommend that the Ministry of Health audit this company and find out exactly what is going on.

As president of a local, I can remember that a member was refused steady evenings, and then I found out the administrator was on the nursing committee of Carcor. I was not a happy camper. There is a new nursing theory out there called case management; that is, we manage patient care from start to finish. Pretty novel. The previous government gave the Toronto Hospital a \$500,000 funding grant to implement this program. Their current vice-president of nursing was the consultant brought in to implement the program, and as of the end of 1990 she was still listed as the president of the Center for Case Management in the United States.

Think back to our recommendations in 1977. Nurses have always had the capability and knowledge, but hospitals have done little to recognize or build on our cost-effectiveness. This government, despite what the media have portrayed, has taken some very positive initiatives: taking away perks of judges, giving native people the right to discipline their own, the OMA agreement; looking at

out-of-country health spending; and laying a timetable for social reform. The setting up of the Fair Tax Commission and the Treasury Board are long overdue. The real challenge is how to spend the public's money in the most effective way.

Does the debt make me nervous? Sure it does. Cutting government spending has not worked to cut the federal debt, so why is it assumed that it would work in Ontario?

1510

The Chair: We will start off with the government's question from Mr Sutherland.

Mr Sutherland: I have a couple of questions. There has been a new agreement with the nurses in terms of salary, and I think the general consensus, at least I hear that it has gone a long way to rectifying some past injustices in terms of what nurses feel they should be paid.

I was wondering if you could give us some comments in terms of overall participation in the health care process in the decision-making process, in the process of planning and priorities, whether you are seeing progress in that area as well, for nurses being at the table.

Ms O'Neill: I would not say that the progress has been satisfying. I can speak from experience for Women's College Hospital where we went through a major shift in management. The management is beginning to recognize what I can do, and we are involved in committees. I know that in the States they have nursing community centres where we do a lot of things that are done in a general GP's office. I still think we are a long way off. I think it has to be legislated.

I think hospitals can service their communities far better within. When you say community-based programs, it is not airy-fairy, with all due respect. You do not say what you want to do in the community, and when I think of northern Ontario where the hospital is the hub of the community, there is nothing wrong with that hospital providing programs within its institution, and I think institutions have to change their mindsets.

Mr Sutherland: Maybe we could pick up on that. You talked about community-based health care, and it was quite interesting looking through your publication from 1977.

Ms O'Neill: You should be shocked.

Mr Sutherland: They seem to be all the same issues. This committee and governments as a whole hear a lot of ideas of how we can save money, and there seems to be a consensus that we can save lots of money in the health care system. But it is the process of getting there, because you cannot tear down the current system one day and get the new system the next. The process of getting there can be very costly in the meantime and the government's resources are limited. Do you have any thoughts on that? Do you think the process of getting to where we can save money can be done more effectively and cheaper?

Ms O'Neill: I am going to pull you back to 1977. There was an opportunity then to start the process, and it was not. You have to start somewhere and I think short-term pain is long-term gain. You have to start. When you

hospitals to get funding for expanded programs, then expanded programs should spell out exactly what government or any government wants, and hospitals to comply. Give them an inch and they will take a You have to set it out clearly.

Ms M. Ward: You work in a hospital setting but I am you are fairly familiar with what is going on in the s and doctors' offices too. A woman in my riding works in a medical clinic was speaking to me a few s ago about the lack of movement towards preventive rather than treatment. Do you have any comments on yourself, that there has not been much movement to s that? It is something that she is very interested in. ou think there has been any change in emphasis towards ntive programs in the community clinics and so on?

Ms O'Neill: We are starting. I think the boards of n in the municipalities have a large role to play in that. n I say expanded programs, hospitals have to get on l the preventive. Nothing stops hospitals from doing it ell.

Ms M. Ward: It does not have to be in a clinic or that of thing. We tend to think of the hospital for the nent of serious—

Ms O'Neill: I know you do.

Ms M. Ward: That is probably the wrong mode of ght, though.

Ms O'Neill: That is what they traditionally have been. ow at Women's College Hospital and other hospitals are doing well-baby clinics, and that is preventive h care. That is just a start. So there is some role for itals and there is some role for programs in the community.

Mr Jamison: We have had a number of presenters ate that they would have liked to have seen a broad e on public service wages, including nursing. Could tell me what you would have seen as the effect of a e freeze in the nursing sector, beyond of course a lab-disruption?

Ms O'Neill: I think we would have continued to ser- Carecor and expanded its budget. I put in another bill SRT, where they were charging \$37.50 an hour. So I k we would have seen their revenues expanded and I k you would have seen more nurses leave and not stay. hen what do you do? It would not have been cost-ef- ve to say to me "Five per cent, that is all you get, and have to live with that."

Mr B. Ward: As in a wage freeze.

Ms O'Neill: Yes. I would have been gone.

Mr Phillips: I was interested in ONA's feeling that of the good things that has happened is the Ontario lical Association agreement. I gather that ONA thinks is a good step forward.

Ms O'Neill: It is a start.

Mr Phillips: What elements of it particularly pleased you?

Ms O'Neill: They were back at the table. When extra ng was stopped, I think you can look at the figures and that fee-for-service costs for the Ministry of Health ut up considerably. I think you had to have the doctors

back at the table, because they do control to such a large extent. So in that sense, ONA was happy that at least somebody is talking, and that is a start.

Mr Phillips: The joint management committee you support?

Ms O'Neill: Yes.

Mr Phillips: The thing you mention in your brief that does seem to be happening—and I will be interested in seeing the final numbers—is that quite a number of beds are closing around the province, many of them permanently. Maybe many of them should close. Maybe we have too many hospital beds.

Ms O'Neill: Possibly.

Mr Phillips: Does ONA have a point of view on the real impact of those bed closures?

Ms O'Neill: Not a position paper or a statement. When we talk about it at the legislative committee of ONA, it is: "Yes, maybe we do have too many beds out there. How can we use them more effectively?" I know we are starting to see a very fast turnaround in surgery beds. We are doing laparoscopic gall bladder surgery and patients are in and out in two days rather than five or six. That is an improvement. We still feel there are too many chronic care beds in acute institutions, that acute beds are being used by too many chronic care patients, and that is a concern. We support long-term care reform. It has got to get going.

Mr Phillips: So, as we see in the fall more beds closing, ONA's feeling is that is—

1520

Ms O'Neill: I did not say it was okay. I think ONA's position is that we will be monitoring the bed closures themselves and take each situation on its own merit. The Wellesley Hospital cut back on a large deficit and did not have to close a great number of beds. Women's College came through with a deficit and did not have to close a great number of beds. Toronto East General has decided to go the route of shutting down 70 beds and that takes care of its deficit. ONA is saying, if you are going to close the beds, make sure you are doing it for the right reasons.

Mr Phillips: Is it monitoring it?

Ms O'Neill: Yes, we are watching it.

Mr Phillips: In a formal sense?

Ms O'Neill: Yes. I, as the local president, send in reports to ONA when I have notification of layoff. I have had one layoff at Women's College.

The Chair: You still have about two minutes left, Mr Phillips.

Mr Phillips: I appreciate your thinking in terms of how we manage the health care budget, because it probably will not get any easier. I know the feeling is the feds should give more money, but frankly, the feds are broke. They are bankrupt; they have no money. It would be nice to try and get it out of them, but—

Ms O'Neill: Yes, but then Michael Wilson listed it as a saving. As much as this government has to look at how it spends its resources, so does the federal government. I do

not think spending \$100,000 on a speechwriter is appropriate. Everybody has to look to themselves.

Mr Phillips: Sure. I just wanted any thoughts you have for us. I realize your suggestion here is a more formal investigation of hospital spending.

Ms O'Neill: I do not know whether ONA would like to see a public inquiry into how hospitals spend their money. My personal view is I would like to see a public inquiry into Carecor.

Mr Phillips: My last question is: the nurses were supposed to be represented on hospital committees across the province. How well has that happened?

Ms O'Neill: Until the former Minister of Health, Elinor Caplan, threatened the issue of money, "If you do not behave, I won't give you any money." That is when things started to move, but until then, there was not much movement.

Mr Phillips: Has it happened now?

Ms O'Neill: To some extent. There are still the odd occasions when you have people called up for a meeting and the meeting date has been changed and no one has been notified.

The Chair: I will have to go on to Mr McLean.

Mr McLean: I have how many minutes?

The Chair: Six minutes.

Mr McLean: That will give me more than enough time. The first question I have is the fact of chronic care wards. Almost every hospital in Ontario has a ward full of chronic care patients.

Ms O'Neill: You are correct.

Mr McLean: For many years I have been advocating to get those people out into a homey setting, into a nursing home or some type of place where they feel more like living.

Ms O'Neill: So is ONA.

Mr McLean: I have been at that since Dennis Timbrell was minister, and I did not get any further than you have, I guess.

Ms O'Neill: Or Dennis.

Mr McLean: It disturbs me to see those people lying there looking at a roof and not seeing a green tree or anything. I cannot, for the life of me, understand why the Ministry of Health is not saying we have to have more homes for these people. Do you know why? I do not.

Ms O'Neill: ONA came out with that position in 1977. It is now 14 years later, and we have had a number of ministers of Health, so to turn around and say this current one or even the Minister of Community and Social Services—it has been there and everybody knows it is there. Let's just get off, start doing it; stop whining and do it.

Mr McLean: I do not know why they do not. I wish they would.

The other question I had, and I have been for some years indicating the same thing, people go to the medical profession whether it is an office call or wherever and they have a health card, which they have now, that they could get a receipt for what the cost of that visit was. Do you think that would be an advantage if the patient knew what

their services were costing them? You might say, "Well, why?"

Ms O'Neill: I can tell you a personal story. I dropped a window on my hand and I went into emergency and I knew, from my background, there was not going to be anything wrong with my hand, but I thought I would check it out. I got a bill and it was \$80, and I will never, never waste an emergency visit again. I do not think you have to send it to each person personally. We do not have to tell people like they are children, but I think that if we let the public know exactly what the costs are, then that would be appropriate. That is another layer of bureaucracy. I think it is a waste of money.

Mr McLean: Yes, if people knew.

Ms O'Neill: If you gave the general public an indication what emergency services cost, that would be to some degree appropriate.

Mr McLean: Right. I meet people in my area, so I am pretty well up on what you are talking about. I appreciate your brief today.

The Chair: I would like to thank you for coming forward to the standing committee on finance and economic affairs representing your organization.

ONTARIO MEDICAL ASSOCIATION

The Chair: I will call on the Ontario Medical Association. Welcome to the standing committee on finance and economic affairs on the budget review. You will have a half-hour for your presentation. In that one half-hour, try to save some time near the end for a question and answer period which will be divided equally among the three parties. If you would not mind identifying yourself as Hansard, then you can begin.

Dr Linton: Thank you for allowing us to appear. My name is Adam Linton. I am a professor of medicine at the University of Western Ontario and I am the president of the Ontario Medical Association.

Analysis of government's fiscal policy is, thank goodness, not generally within the mandate of the OMA. Comments therefore do not address the general economic issues this committee is addressing, but only those we believe are pertinent to health care funding. The OMA has, necessarily, focused much of its attention on this topic in some years because we believe previous constraint measures have begun to impinge upon the delivery and quality of health care. We therefore commend government's commitment to the maintenance of our health care system and the tacit recognition that this will call for continued fiscal support.

The background to this is that Ontario, in common with all the other provinces and indeed with all industrialized nations, faces the intractable difficulty of health care costs which are rising faster than most other economic indicators. Health care, as I am sure you all know well, accounts for about one third of Ontario's budget and over the past decade spending has increased by an average of 12% a year.

The principal driving forces, not only in Ontario but in other provinces and all other developed countries, appear

the rapid expansion of technology, which seems to be sustainable, and the increased demand for services, both of which promote continuing increase in the utilization of the health care system. Clearly the resulting fiscal problems have been exacerbated by the recession.

Although these upward pressures on cost have been mounting for some years, I believe the Canadian provinces have been relatively successful in sustaining a very high quality of health care system which is much prized by the public. Indeed, I selected it to practise in myself and I think it is much appreciated both here and abroad. The effects of its universality and accessibility attract international attention, and in the United States many authorities view this system as something at which they should be aiming.

There is, however, now increasing doubt whether the standards we presently maintain can still be maintained in the face of the mounting fiscal pressures. We have estimated that in Ontario the combined effects of increased health care costs, lower provincial revenue and cuts in federal transfer payments would have resulted in a health care fund deficit of close to \$1.8 billion in the current fiscal year.

If such a deficit were passed on to the health care system, the consequences would obviously be devastating. I have provided you with some examples of manipulations to the system which would result in savings of \$1.8 billion. For example, you could save that by closing 1,600 hospital beds, which would be more than one one fifth of the province's total. You could achieve the same saving by closing 130 of the acute-care hospitals in smaller communities or you could save the same amount by reducing medical services by one half.

Obviously none of these options is acceptable or likely, but they illustrate the fact that the degree of reduction in health care costs could be achieved only by very significant reductions in the level of service and likely the withholding of some needed medical care.

Government has a responsibility to manage its resources effectively and health care costs require special attention because of their magnitude and sustained growth. Although we still spend less than the US on health care—about 11.1% of goods and services produced in the province versus about 11.1% in the US—we now spend per capita on health care more than all other countries which have comprehensive health care systems. We spend about \$1,680 per capita, more than anyone else with the exception of the US, which of course does not have a comprehensive system.

We do not believe that support of the health care system, or lack of support, has yet produced a fiscal crisis in the province. We believe society will eventually have to determine the share of resources it wishes to devote to health care. Before that happens, government and the medical profession have a shared responsibility to ensure that the right care is provided to the right people in the most effective way possible. I have no doubt that increased effectiveness in the delivery of health care has considerable potential to reduce the rate of growth of costs, and at the same time to maintain or improve accessibility and quality.

The recent milestone agreement between government and the OMA offers an opportunity for a co-operative approach to promoting the effective use of scarce resources. We believe we are now in one of the few jurisdictions where the medical profession and government are in a position to collaborate over these very tricky issues, and collaboration is certainly more likely to succeed than was the adversarial and confrontational mode we previously saw.

You should not, however, be unaware of the difficulties which will have to be overcome if we are to do this. The large savings which can be achieved are undoubted and the primary areas to target, in our opinion, will be physician resources, technology control and the development of optimal practice policies.

The issue of the number of doctors, as you know, is a very complex one. It is confounded by a lack of knowledge of what the need is and by the issue of maldistribution both by specialty and by geography. For example, in my own region in London, in the city there is one physician to 350 people, whereas in Huron county there is one physician to 1,300 people. That was the subject of a recent large piece in the London Free Press, finding out the difficulty which the people in the rural areas are having in finding family doctors and specialists.

The issue of addressing this is a difficult one and I believe it will require input not only from the medical profession, but also from other health care groups and from the public in general.

Control of technology is also required and it may be even more difficult because we have no system to control it at all at the moment. New technology, if you include new drugs as technology, simply sweeps on to the market driven by the usual market forces, by the manufacturers, by researchers and by the increasingly sophisticated public, and we have no system of trying to decide before a new technology hits the street whether it is in fact an improvement or even as good as previous technology.

Finally we have now begun to recognize that much of what we do in medical practice is not supported by solid proof of benefit. This is in large part due to the lack of strong data on outcomes of medical treatment, and also from the increasing and really quite severe complexity of modern medical decision-making.

I think these things have made it clear to the medical profession that we must now try to rein in these expenditures, preferably by the profession itself developing and promulgating practice policies aimed at the cost-conscious provision of high quality care. We can only do this if we are in a co-operative situation with government in order to devise methods of controlling the diffusion of technology. Only by mutual effort can we hope to promote mechanisms that will steer medical practice into patterns which will be both frugal and effective and of high quality.

We are aware that medicare remains the most cherished of all our social programs and that the challenge we all face is to keep it working. The Ontario Medical Association would like to work with government in pursuit of this end.

Mr Phillips: Thank you for the thoughtful presentation. I think you identified some of the really thorny issues

we are all going to have to wrestle with, such as technology, even at what stage one continues to apply all the technological advantages we have.

The one I want to chat a little bit about is the OMA agreement because it is a milestone and I want to make sure I am clear on it. The first part is on the financial side: My understanding is that after two years—it is a seven-year financial agreement—everything is subject to arbitration, the threshold not in the fee schedule, but in the size of the fee pod. Is that correct?

Dr Linton: Yes, that is essentially correct. I do not have the agreement with me. I did not realize it was a topic for discussion.

Mr Phillips: I think it is important because two or three years from now there perhaps could be arbitration and it is the arbitrator who will make that decision.

The joint management committee, which I think is the other big thing in it: What issues do you see being taken there? My understanding is that it requires three of the five OMA representatives to agree to things before they can be passed; that is the way I read the agreement. What items would you see being resolved at the joint management committee?

Dr Linton: We have discussed it in some detail in the light of what we hope will go there and also in the light of the experience we had on the Scott task force, because that was in a sense a kind of mini joint management committee which did not work too well but taught us some lessons. I think the joint management committee will have to operate in four domains.

The first of these domains is that it will have to supervise the care and maintenance of the agreement. We hope that can be done, the nitty-gritty of the funding and the implementation of the agreement over the years, by a small, technically qualified committee without perhaps too much intervention by the JMC itself.

The second topic it will have to address is physician resources. This is a prime concern of government and it is a prime concern of ours. Up until now we have all pussy-footed around it but never produced any satisfactory solution. I think that is domain number two.

The third one is technology control. As I have mentioned, we have no system. It has been advocated for years that a system be developed, but no one has ever done it because the difficulties which surround the development of a system to control technology are substantial. Just as one example, clearly if you develop a system which inhibits the fusion of a new technology, then you are going to be interfering with a pharmaceutical company or something which is engaged in the legitimate pursuit of trade and all sorts of complications of that nature. But it has to be addressed. We think technology control is number three.

Number four, we think, is the development of optimal practice patterns, because there is no doubt we spend a lot of money at the moment on procedures which are unproven and maybe being provided to the wrong people at the wrong time. That is perhaps where the biggest potential for savings exists and optimal practice patterns simply have to be developed.

Mr Phillips: I happen to think one of our big challenges is how we are going to manage the health care field. In terms of your best cut at where the opportunities are for being more economical and more efficient—I do not want to quibble about the definition of that—do you have an intuition of where that may be?

Dr Linton: Yes. I think it is in technology control and practice patterns because that is where most of the money goes. As simple examples, with collaboration between the profession and the government on the joint management committee, you might decide to produce a list of drugs which were approved. Britain has a thing called “the national formula” which identifies those drugs that are of proven efficacy, lists their prices, recommends them and so on.

There are a lot of drugs used at the moment that are more expensive than equally valid alternatives, but you do not have a system to promote the use of the cheaper drugs, as just a simple example. There are hundreds of these in the practice of medicine.

Mr Phillips: The thrust for many of us is to move to community-based care. I realize that is tough to define, but it is to move away from as much institutionalization as we can. Is that something the OMA has a point of view on? Are we on the right track there?

Dr Linton: Yes. We agree with that entirely. I think it has to be modified a little bit by the fact that as beds are cut, the severity of illness of the people who are occupying the remaining beds increases, and the extent to which one can move these patients out into the community is restricted. But as was said in a previous presentation, there are a whole lot of patients at the moment who are, in our view, in inappropriate accommodation for their degree of illness.

1540

Mr McLean: Northern Ontario, my understanding is has a hot pilot project in place.

Dr Linton: I am sorry. I missed that.

Mr McLean: The Ministry of Health has a pilot project in place. Can you give me a little detail on that?

Dr Linton: A pilot project on what?

Mr McLean: I understand there is a community in the Fort Frances area where they want to use a form of care whereby the people know exactly what the services cost them.

Dr Linton: In Fort Frances, there are the beginnings of what is called a comprehensive health organization which is simply a different way of funding the entire provision of health care within a region. It appears to be something that might be suitable for small areas in the north. That is the basic structure. Within that, I believe—I do not know very much about this—there is a pilot project of a smart card, which contains more information than the average health card and with which it is hoped to improve prescribing habits and documentation of drugs taken and so on. I have seen no preliminary report on the effectiveness of this in Fort Frances.

there are a raft of these projects which have been done in other countries. I do not think there is any doubt that we can improve the delivery of health care by this kind of data collection, and if there is one thing I have not mentioned up to now, which is critical to improving the health system, it is better data.

Mr McLean: The last witness we had here very clearly indicated that if the same thing had happened to her, she would not have gone to the emergency, which cost some \$80. Do you believe in the theory that if a person knew what the charges were and what the costs were for health care, he would be more susceptible to paying it in a manner that he felt the need was most important to him.

Dr Linton: Unfortunately it does not seem to last. Five or six hospitals in southwestern Ontario tried to send out dummy bills, as it were, to patients who had received care, but we were never able to prove we had done anything to change the demand. I think you could look at the bill and say, "My God, it's expensive," and then in a couple of weeks' time, they have forgotten about it.

Mr McLean: Teaching hospitals: I have a niece who is going to specialize in skin cancer. What percentage of a hospital's administration or cost would be for teaching a specific specialty—ears, nose and throat or what? What percentage of the hospital's budget would go towards that?

Dr Linton: I have not the faintest idea because the teaching of academic medicine is another aspect of the health system which badly needs to be re-examined. It is a smash of sources of funds and often they can hardly be identified. In my university, the medical school receives funds from the Ministry of Health, Ministry of Colleges and Universities, the hospitals, funds generated by the doctors themselves, the Medical Research Council of Canada, all sorts of research agencies, the community, name it. There is a list as long as your arm.

The source of funding for teaching is really hard to identify, but it is another major problem for the health care system because as the funds generated by physicians from their service have diminished, as they did in the universities at least, the money available for these teachers to pass on to support the schools has diminished. In fact, we had two departments that went bankrupt this year as a result, so academic medicine is in a state of potential collapse at the moment as a result of this completely unsustainable funding system.

Mr McLean: What would you believe to be the area of health care that could be the most helpful in trying to solve some of our budgetary problems, and what category would you put hospital administrators in?

Dr Linton: That is a tremendous opportunity. The area in which I think the biggest realistic savings to be made is in the hospitals, and it is in the control of technology and drugs. I believe that is something the JMC should begin to do now which could produce significant benefit. One of the few things the Scott task force did was to produce recommendations about who should be tested for

cholesterol and who should be treated. Had we been able to get those recommendations accepted, and they were scientifically accepted around the world, we would have saved something like \$1.6 billion dollars; some enormous sum, I cannot remember how much it was, but a large sum. Where that failed was trying to get it actually incorporated into clinical practice, and that is something we have to get at.

Hospital administrators are obviously very important people. I hope the government remembers that physicians have to have some input into hospitals as well. Hospital administrators seem to be gaining in numbers and strength all the time. There is no doubt we need management of the system because the Canadian health care system, and in Ontario in particular perhaps, is almost unmanaged.

Mr Sutherland: It is a pleasure to see you here, Dr Linton, coming from such a fine medical school as the University of Western Ontario; it certainly has a good international reputation.

I wanted to ask you several questions. You heard the presentation by the nurses, and they were supportive of the OMA agreement. Mr Phillips asked them about the joint management committee and I just wanted to ask you this: I have had a few people come to me and indicate that somehow this joint management committee will mean that doctors will take the leading role, or for some people who feel they already have the leading role, will continue to have the leading role in decision-making and planning. What is your sense of how this will bring in some of the other people who are health care providers?

Dr Linton: I agree with you entirely. Indeed, I have been severely assaulted by my daughters, who are strong and powerful nurses, about the whole thing. We are very well aware that not only the nurses, but many other health care professionals are anxious about the fact that doctors appear to have regained the position of pre-eminence in the system. We are in the process of developing a system of advisory committees which, we hope, we will be able to build into the system, either on our side or perhaps even in a combined way with the government's side. The JMC has not met and the government members are not identified, at least not to us as yet. So we have not been able to discuss that, but we already have had preliminary talks with some people about advisory committees which will, we hope, give these people the feeling that they are involved. The JMC allows each side to take anyone it likes to meetings, so it would not simply be a case of sitting in a back room and advising. With relevant issues, these people could go to the meeting.

Mr Sutherland: I have another question regarding hospitals and transfers. I have talked to some of the people who work in my local hospital—there are three in my county, actually two in my riding—and through their professional groups they interact quite a bit with some of the people in the community of London. They have indicated to me that in some cases there are certain pieces of equipment the small hospitals have that are not fully utilized, yet in hospitals in the larger communities they have waiting lists.

It would seem, in some cases, that it may be cheaper to even have a shuttle to transfer them to the smaller hospitals to have routine-type testing done rather than purchase new pieces of equipment. Is that something you are familiar with, or you have heard a great deal about? I am just wondering if this is, in effect, one of the ways we can look at better management of the system and of the resources already allocated.

Dr Linton: I cannot comment on specific instances since I am not entirely certain what kind of equipment you are talking about. But there is no doubt that across the system in general, in the small hospitals, medium size hospitals and large hospitals there is far too little co-ordination of activity. There is no doubt that by moving people around you could improve efficiency.

1550

Mr Jamison: Welcome and thank you for your presentation. It has been a major theme of the government to try to consult and build partnerships. I wonder, in your own opinion, do you consider this step as a good beginning point? Considering what you have said today, in as far as tracking and accounting for the moneys that come from the province is really a tremendously difficult thing to do, do you see that being beneficial both in the short and the long term?

Dr Linton: Yes. I have worked in health care systems in the United Kingdom, the United States and here. I have studied health care systems in many other countries, and I do not have any doubt that the situation we have in this province at this moment has the greatest potential for a sensible solution—perhaps not the solution, but a sensible beginning of the solution—to these problems. Hopefully, if we can continue to work together in a collaborative sense, we will get better data. Once we get better data, we get better tracking. Once we get better tracking, we get better planning. Once we get better planning, we get better health care.

Mr Phillips: My question is on the joint management committee. You answered part of it when you said it has not yet met. I gather the government's side has five members, one being the deputy or his or her designate. What kind of budget do you see the joint management committee needing to operate?

Dr Linton: I make it clear, once again, that this is our view; we have not had a chance to discuss it with the government. I can tell you that one of the lessons we learned from the Scott task force, and one of the reasons it was less effective than it might have been, was the lack of a significant supporting structure to do the work that was required. It is our belief that if the JMC is to realize its full potential, it will require a large supporting structure which will encompass the people who have the specific expertise to produce the kind of recommendations that are required.

I told you at the beginning that none of this is going to be easy. It is not easy to write guidelines for medical practice, and it is not easy to write guidelines for technology control. That is what McMaster and the Centre for Health Economics and Policy Analysis do all the time. The difficulties are substantial, so there is no doubt that it will require a supporting body of significant size. I am no

expert at gauging how much that might be, but I am quite certain that it is in the millions, and perhaps \$10 million, \$15 million or \$20 million. I have no idea.

Mr McLean: Do you think Roger Sherman's policy is going to work with regard to the three basic principles? Has he got sources of money for hospitals?

Dr Linton: I am sorry, you have got me there. I will have to tell me more.

Mr McLean: Mr Sherman is the president of the hospital that puts in hips and knee joints. He has a contract with the Workers' Compensation Board to evaluate workers. You are not aware of that?

Dr Linton: No, I am not.

Mr McLean: Okay, thank you.

Mr Jamison: Where do you feel that there is potentially—again I am not sure whether I have picked it properly or not—a major cost saving if we get our mutual acts together?

Dr Linton: I will give you three for example: number one, if we could stop people using inappropriate drugs for non-hazardous medical conditions. As you are probably aware, many people prescribe antibiotics for viral infections, which is of no value, and indeed is a clinically inappropriate practice. That is a lot of money. In the same category is the use of highly expensive third-generation antibiotics for simple conditions. So that is one group of things where there are substantial savings to be made.

Number two would be if you looked more carefully at new drugs and technology as they come down the pipeline and instead of just demanding, as we do now, that manufacturers prove that these things are efficacious, that they do what they are said to do, you must also ask manufacturers to prove how they operate in practice, that not only do they work, but do they work better than the gadget we used before? Many times the answer to that will be no, but the price will often be higher.

The Chair: I would like to thank you for appearing before the standing committee on finance and economic affairs and the budget review.

CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Chair: The next group is the Canadian Federation of Independent Business. Would they come forward, please. I believe you have a handout for the clerk to hand out. It looked like it took about three of you to carry the brief in. I would like to welcome you here to the standing committee on finance and economics affairs and the budget review. I hope it is in bold print there, because you have one half-hour for your presentation totally, and perhaps you can save some time at the end within that half hour for a question and answer period between the two parties. Before you start, would you just identify yourselves for the purpose of Hansard. You can begin.

Ms Ganong: My name is Linda Ganong. I am the director of provincial affairs for Ontario of the Canadian Federation of Independent Business. With me are Catherine Swift, our vice-president, research, and chief economist; and Judith Andrew, our director of provincial policy.

will do our best to keep our presentation to about 15 minutes and leave about 15 minutes for questions.

Mr. Swift: Hopefully we can keep it shorter than 15 minutes.

We appreciate the opportunity to present the views of the small business community on the Ontario budget today. As you probably know, the CFIB is a non-partisan, non-political action organization representing about 88,000 small and medium-sized businesses across Canada. We have almost 40,000 of our members, almost half of our membership, in Ontario. We have members in all sectors, all regions, and represent firms from the single proprietorship right up to mid-sized firms with 400 or 500 employees.

As you are aware, small firms are major contributors to not only the national economy, but naturally to the Ontario economy. In 1989, for instance, the entire private sector in Ontario, about 97%, had less than 50 employees, and that is the pretty standard definition of small business. Small businesses in Ontario account for about one third of the labour force, and that compares favourably to national figures as well. The most notable numbers, however, are in the job creation area. Over 80% of net new jobs, that is even accounting for job losses and firms that go bankrupt and so on, over the last decade or so have come from small firms, so the job creation area is where the small firms really distinguish themselves. We find that in recessions as well as in periods of relatively strong economic growth.

The 1991 budget was viewed very much as a water-boarding exercise by small firms in this province. I think after the election of the new government last fall, small business and industry groups, naturally, were watching the government's development, and the 1991 budget really was a very bad omen to the small and medium-sized business community. There were many elements in it that were perceived very negatively.

Naturally the deficit was a major one, but I think it was even worse than that. Everyone expected the deficit to increase this year. I think that was something everyone expected, because we were in recession. Small business owners were certainly well enough informed to realize that tax payments and so on would have to increase considerably. The real concern was that these high deficits would tend to prevail for the duration of this government's term. That is a major concern.

We have heard a lot of justification of so-called Keynesian types of policies which involve spending in bad times, but of course what we have seen in Canada is governments that spend lots in good times and spend even more in bad times. Naturally, that is a recipe for fiscal disaster that we are seeing very profoundly at the federal level right now and we will arguably—not even arguably—see at the provincial level in Ontario if the projections in the budget do not come to pass.

What is interesting, I guess, is that high deficits lead to high interest rates and the need to raise more capital. They also lead to high taxation, of course, as well.

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The unfortunate result of these policies is that the very sectors they are trying to help, presumably, are the ones that end up getting hurt the most. I think this is something that governments maybe do not see in the long-term sense; they just see short-term gains. Unfortunately it is the middle class and the lower-income people who end up paying for large deficits. The people who have investments benefit, and they are the well-off. So these kinds of policies have very perverse social impacts, even though they may seem to create some short-term jobs in a tough time like now. Naturally the small business sector, as one that pays a great deal of taxes. It also has a major punitive impact on that sector.

I think one thing we have seen on the part of many provincial governments, and Ontario has been no exception, is that things like high interest rates and the value of our dollar, which are very unfavourable right now, are pointed to as federal policies that have nothing to do with provincial policy. Of course this is absolutely false. Ontario, representing almost half of the national economy, cannot assume that it is not a part of the greater problem of higher national interest rates and as a result the requirement for a higher dollar to finance capital and so on. I think all provincial governments, and of course notably Ontario, being the largest, have to take a share of responsibility for monetary policy nationally, and things like high deficits at the provincial level in any province do not have a favourable impact on our national picture.

We have done a lot of surveying on these types of issues, of course, and we recently surveyed about 6,000 of our Ontario members for their views on government deficits. A full 97% believe that the elimination of deficits should be a major priority of government. More than 70% indicated that spending cuts are the measure of choice to eliminate the deficit. There of course is no support for tax increases, partly because we have just come through a decade of massive tax increases at all levels: personal, corporate and payroll taxes. We see that over half of the members surveyed favour eliminating government deficits with quick and drastic cuts, whereas a smaller proportion opt for a slower rate of deficit elimination. The highest priority area for spending cuts that we get in all our surveys is government funding of industry essentially, government funding of megaprojects, grants, subsidies for business and industry.

This may sound counterintuitive, coming from a business group, but what we typically find with our constituency is that these programs are set up and small firms rarely get the grants. They are the ones that effectively pay for them via taxation. It is the large firms that get the grants, and of course there are many firms where essentially their greatest expertise is the getting of government grants, not the conducting of their business. We have seen far too much of this, naturally, and I think some of the ones that are going down now, the Magnas, the Algomas and so on, are cases in point. There are more problems than that, but I think when you look at these firms that are having problems, most of their problem is that they should have

faced reality a few years ago and it was forestalled by government grants.

One of the major deleterious impacts of the high deficit is that all this will mean is high taxes down the road. There is no question small businesses realize that they will be one of the major recipients of these tax increases, as has been the case in the last little while. We find the total tax burden of all the taxes small firms are faced with is an ever-growing concern, but in the past few years this has really been notably the case.

We have conducted quite a bit of research over the last year on various aspects of this. One of the studies is included in your package. It is called *Taxing Ourselves to Death: The Small Business Tax Burden in Canada*. We look at four different Canadian jurisdictions, Ontario being one of them, and we look at a number of US states as well to try to get a bit of a comparative picture. It used to be that Quebec was the high tax culprit for small businesses in Canada. It is not that way any more; it is Ontario now. What we find is that it is not simply that the level of taxes is so high in Ontario, but that the composition of those taxes is especially punitive on small firms.

One thing we did was compare the burden for a small, a medium and a large firm, just to see the differential impact, and what you find is that profit-insensitive taxes, notably payroll taxes, and local taxation such as property taxes, account for over 70% of a small Ontario firm's tax burden and just over 50% for a large firm. In other words, in a downturn, when those taxes do not move because they do not change when your revenue changes as a company, you are getting hit much harder than a large firm, so naturally there is quite a punitive effect. Things like the small business tax rate go some way to offsetting this, but they by no means completely offset this differential.

We did a survey last summer where members were asked which provincial and local taxes were the most harmful to the operation of their businesses. Number one was workers' compensation. This is something we have seen in a number of provinces. Again, it is not exclusive to Ontario, but in Ontario over half the members surveyed selected workers' compensation as the most harmful tax. The employer health tax was a close second, and almost half of the members chose that one. The third culprit, if you will, is municipal property and municipal business taxes, which over a third of members surveyed chose. The common factor of all these taxes is that they are fixed taxes that just do not vary in good times and bad. Naturally governments love them, because they are a nice constant cash flow stream, but if you are killing the small business community as a result, I do not think in the long run it is beneficial even to governments.

Workers comp is, as we said, a growing problem. We think it is high time this was looked at. It is not just our opinion. When you have unfunded liabilities in the \$9-billion range and increasing, you know we have a very serious problem there. Ultimately everyone will suffer, workers and employers, if the policies continue.

One thing we recommend in this area is that a value-for-money audit be conducted provincially of the WCB system. This type of audit is designed to assess the system,

how efficient it is, and effectively see how economic it is. This would ideally assist in achieving a higher standard of accountability on the part of WCB management. This is something the Ontario Legislature could request that the Provincial Auditor do, but the results of these findings hopefully would come out with some recommendations to improve the WCB burden on businesses in this province.

The employer health tax was a relatively recent tax that we found in our surveys nearly 60% of CFIB's Ontario members found has reduced their firm's profitability. Just under a third had to resort to changes in their staffing as a result of the employer health tax. These are things like layoffs, not hiring people they had otherwise planned to hire, shifting workers from full-time to part-time positions. Naturally another payroll tax is a disincentive to employment and the employer health tax is a notable recent example that we have heard a great deal of negative feedback about from our members.

What is interesting is that if you look back at some of Premier Rae's previous quotes, when he was in opposition he himself had very bad things to say about payroll taxes.

One thing we have recommended several times and I will reiterate here is that we believe that the first \$400,000 of all firms' annual payroll should be exempted entirely from the employer health tax. This kind of exemption has worked successfully in other provinces, and although it does not cost the Treasury an awful lot of money, it is a major burden relief on small firms.

The number three most damaging tax is personal income tax. Naturally this hits in a number of ways. We have done some studies, one of which is included in your package, on the income levels of small business owners. What you find is that they are basically the average income of any employee across the country. Of course, there are people who make a great deal of money and there are some who barely get by, but on average, the income of a small business owner is roughly the same as the income of your average employee, and as a rule they have a lot of personal assets up as well, so if their business goes down, they do not collect unemployment insurance or they lose their house.

What we have been paying quite close attention to recently is the federal government's discussion paper on the reform of the personal income tax system. There is a clipping in your package by Leonard Shifrin of the *Toronto Star* which notes that this lays the groundwork for what should it come to pass—it is just a discussion paper at the moment, but it lays the groundwork—for a massive tax grab for the provinces. We are keeping a very close eye on this, not just from a tax-grab perspective, although that is the major negative impact from the small-firm viewpoint, but also the incredible complexity that now we have the problem of having two sales tax systems in most provinces. This raises the spectre of possibly two personal income tax systems, which is absolutely unbelievable in the paperwork department.

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Finally we have come to view "competitiveness" as possibly a bad word these days. We economists have been using it for decades with nobody batting an eye, but now

to have all kinds of evil and weird things implied by really it does not mean at all. I think our problem, we look at tax changes and other changes in standards and what not, is that basically if we as a province get totally out of whack, not only with other Canadian jurisdictions but with American states since they happen to be geographic neighbours, we are in major trouble. We have our members seriously looking elsewhere right now. We have heard a lot about movements to the US, but one that has interested us is that we are getting a lot of total evidence about movements to other provinces as because they are concerned about the future of Ontario. There are a couple of charts in this brief which show information on how many are thinking of moving here. I might note that the chart on page 10 was prepared before the budget. We are actually conducting a survey currently to try to get some post-budget reaction, since we realize the budget was a major watershed in the eyes of a lot of our Ontario members.

Something that we have seen in many jurisdictions, but especially in Ontario is the growth of the government sector. The Ontario government's own *The State of Small Business 1990*, publication, which came out fairly recently, talks about the "funded sector," which seems to be a new buzzword that people do not maybe read as government, but of course it is the government services sector. Its growth has been incredibly dramatic in Ontario during the last 1979-88 period. We are looking at almost the same as fast growth, and this kind of expansion of the public sector, which is not a productive sector in the competitiveness sense—you do not survive by having big government as an economy, as we have seen elsewhere in the world these days in spades—is naturally something where the more room government takes up, the less room is left for the private sector.

Finally, we have a number of recommendations here. The health tax one, which I already mentioned, is one that I feel would not cost an awful lot to government coffers, but in these times when small businesses are really struggling, every dollar means an awful lot to them. It would make a significant difference to them and would not be one that would be terribly difficult to absorb for the Treasury. One that we made in our pre-budget submission which has obviously not been really taken into account was basically worsening of the burden. We reiterate that one here, especially in this provincial tax reorganization potential that we have seen coming out of this federal discussion paper. I know the small business community will have very strong negative views about that should it come to pass.

The deficit: The deficit in and of itself is not the important thing. The important thing is what it does in terms of increasing costs, how it cuts into other programs, notably social programs, which are the largest part of the envelope, and what it means for taxation down the road. I think Canadians are taxed to death right now, or so we keep hearing, and it is not just small businesses that are telling us that.

We would like to see a spending level freeze. All the economic data indicate we are over the worst of it. Hopefully we can see some control brought in on spending. We

saw the federal government, through the 1980s, get us into the pickle we are into by spending like crazy when times were good. Now that we are re-entering a period, hopefully, of a little more stability in government revenues, we should be able to see some control over spending. We would like to see a long-term—five years is one possibility—financial plan adhered to—the federal government has had quite a lot of them lately and it has not been able to stick to one yet—something towards which we could see some kind of planning. I think that would give some kind of confidence, because right now there is a crisis of confidence in the business community. If we saw some types of objectives and some kind of plan laid out, it would go a long way towards that.

The highest priority areas as seen by the small business community for spending cuts should be things like government funding of megaprojects, bail-outs, which are usually just spending bad money now for more money later, and the very targeted stuff that we find benefits only one firm and disadvantages its neighbour or competitor.

We would like to see some pressure on the so-called funded sector to be more efficient in its delivery of services. Perhaps some rationalization there would be in order.

We have seen some major problems with municipal spending growth. We have seen some tax revolts at this level across the province lately. I suspect we are going to see more of them. We see that as a growing problem for our business. Provincial governments can have a hand there in keeping that under control. We also think that any windfall revenues that do come in should be used for deficit reduction and not additional spending.

Finally, there is the audit of the Workers' Compensation Board that was recommended earlier.

I have gone on a little longer than I thought, but I would be happy to take questions at this time.

Mr McLean: To date this week, we have had about 40 presentations. Yours is about the fifth one we have had that has recommended looking at the deficit over the long term. Most of the others have indicated that business is not paying enough and that they are not getting enough money. Most of the people who are before us—we have had defeated candidates, NDP candidates, their spouses—are all saying what a great budget it is. We have had about five who indicated the concern they have for the long-term debt. The long-term debt will be probably well over \$70 billion by the time 1995 rolls around. August 5 now is taxation freedom day. When do you think it will be in 1995?

Ms Swift: Obviously it is not going to be any better.

Mr McLean: I appreciate your presentation.

Mr B. Ward: I appreciate your coming before us to present your views. I have trouble with your view that we should not be offering any assistance to any business in the province. I am sure that if that was followed through, the recommendation of the CFIB would lead to the destruction of the community of Kapuskasing and the community of Elliot Lake. As well, other businesses that have received financial assistance through loans or loan guarantees may

or may not be in existence. I know of five in Brantford that have received some assistance through the Ontario Development Corp. I think the people of Kapuskasing and Elliot Lake would strongly disagree with that view.

I have a question about the benefits of the budget. I think if you talk to the private sector, which has received contracts through the \$700-million anti-recession package for work of a capital nature, it would strongly support that aspect of the budget. My question to you would be, from the position of taxes and the fact that there was very little business tax increase in the budget as well as no increase in the provincial sales tax—in fact, there was a tax cut for some low-income people, which may or may not have an effect on the CFIB membership—what is your view pertaining to the fact that there were no new payroll taxes and that existing payroll taxes were not increased? You mentioned the employer health tax. I was just wondering if, when that was brought in by the previous government, the CFIB condemned the previous government at that time. I cannot recall.

Ms Swift: Oh, yes. Where were you?

Mr B. Ward: If they did, I just want to hear it again.

Ms Swift: Were you off this planet somewhere? Oh yes, there is no risk of that. We are very egalitarian in our criticism. We criticize everybody equally. That is our job. Our position on funding generally is that we probably do not think it is realistic that governments are never going to fund businesses, but the ones we are bailing out now are usually in trouble because of past policies. Our view is that you are benefiting one. There are other ways to help communities than to keep unviable businesses. We have seen the Atlantic region of Canada as a notable example of an absolute disaster. You are just forestalling the inevitable.

Our businesses feel that an overall reduction in taxation is much more equitable. Then all businesses start from the same jumping-off point. What we would prefer to see as opposed to the preferential types of policies which benefit one firm over another is, why do we not have a more egalitarian policy where we have lower tax levels for all business?

1620

Mr Jamison: The figures you put forward are interesting, because they prove to be almost increasing in nature in the numbers of jobs that small business is creating as compared to other sectors.

Ms Swift: We do not have the recession stuff in yet, mind you.

Mr Jamison: My figures were that 75% of all new jobs created are related to small business, and now your figures show 80% or better. I think it may be indicative of two things: the manufacturing decline, where there are hardly any jobs being created through the recession; and certainly the importance of small business. It is an area I have been given added responsibility for lately and I look forward to the challenge. It will be a challenge. I know that as far as you are concerned, the struggle goes on every day.

The Chair: Mr Jamison, I have to cut you off.

Mr Jamison: I would just like to make the state that it is interesting to hear those figures.

Mr Kwinter: I want to commend the CFIB. I can tell you that in the years I have been in the Legislature, I always looked forward to its reports because they are always very extensive and informative. I have had the benefit of talking to Judith over the years and getting input from her group.

Your report, and you talked about it when you testified about the tax problem, was in November 1990. You predicted that if we go into a recession, things are going to get worse. We are now into the recession. Some people tell me we are out of it. I predict we are not out of it, that we are not getting any deeper, that it has sort of levelled off. How badly has the situation changed from the figures you have in your report? Do you have any idea of that?

Ms Swift: The only notable tax change has been the GST, and that has been a real whopper. If you had to choose one incredibly punitive tax change, that was it, of course the associated problem in Ontario and some of the other provinces of administering two tax systems. Of course the fixed taxes always become worse when revenues are nowhere. We know now that many firms are operating at a major loss and hoping just to hang on, which is the case in the trough of a recession.

We have not actually done any studies. We are currently collating some results from our first follow-up survey and they are incredibly depressing in terms of the impact of this tax is costing business to administer. One of the problems provincially is that there are two taxes to administer and that just worsens it all the more.

It has got worse, I guess, though the Ontario government to date has not done a lot. There have been signs but there really have not been an awful lot of developments. I guess we and other groups like us are looking for this fall for a lot of activity to take place. Really it is not in expecting things to worsen over the next few months that we present a case here today, because the Ontario government notably has not done a whole lot in the past year.

The budget was viewed as a very significant sign and one in the wrong direction, by the business community. I guess we cannot make that point strongly enough.

Ms Andrew: If I could add something on the work compensation side, there are elements in the offering to increase costs tremendously under work compensation. The whole definition of what is compensable under the act is being reviewed by the board. They are considering compensating for chronic occupational stress. Gerry Phillips will be familiar with these issues. All this will roll into a far bigger demand for financing for the Workers' Compensation Board, which is already under a credible strain with the \$9-billion deficit, and that will exacerbate our members' number one payroll tax problem, which is workers' compensation. The signals are there that it is bad and it can only get worse, as far as we are seeing it.

Mr Phillips: I appreciate the thoughtful presentation and assure the new members that when CFIB saw a wrong signal, it spoke out strongly against our government as well. It is a kind of problem with all this, as I have said to other

os, is like forecasting the weather a year or two from I think CFIB has some severe reservations about the et. Mr McLean said a whole bunch of groups came aid it was great. We will not know probably for a year year and a half. But I agree with you; I think we face its for ever here. Sure there are no new taxes in here use the deficit went up; it did not raise any money to or the spending.

seems almost like an anomaly that business is coned about all these things and yet if you read the papers, oks as if we are on the way to a strong economic very. How is this possible?

Ms Swift: I would not agree with the "strong"; that is sure with all the data we have seen so far. I think in forecasters have gotten more optimistic than others have been proven wrong before, so you have to take with a grain of salt. What we are seeing with our bers is an incredibly mixed performance. I think this here the role of confidence and expectations cannot be stated. We hear from our members that there is a good for a couple of weeks and then things go down for a ple of weeks. It is very spotty.

We have levelled, but we really have not seen a lot of rovement. It is not getting worse, that is for sure, and ome sectors we are seeing a bit of improvement. We not seeing consumers spending a whole lot more, and n they do they are not spending it in Canada. That is a or problem. Border measures do not do anything. You e to make people want to shop in Canada. You do not them over the head. The stick approach never works ept for a very short time.

I think what we are going to see is nothing like 1983, re the economy did pull out of the recession quite

quickly, notably in Ontario. Ontario was way harder hit this time than in 1981-82, so we have a lot more recovering to do than we had then: things like the manufacturing sector, with 87-cent dollars, relatively high levels of taxation and all the other problems we are seeing. Naturally some of our core sectors are extremely badly hurt.

There is no doubt that this recovery will be harder and longer. I do not know if I subscribe to the double-dip recession theory where we are going to go up a bit and then down again. I do not think it is quite like that, but I think we are going to have a long, slow climb out of the trough of this recession. Whatever governments can do to improve peoples' confidence levels, consumers and business will go a long way because I think there is still money out there. People are contemplating investment and where to invest and right now Ontario is not at the top of their list. Anything that can change that would be very beneficial.

Mr McLean: I have spent \$60,000 myself this year to help the economy. If people are in the mood to purchase, they will do it if they feel they have the confidence of the government behind them. There are many people out there who feel now is the time to make these purchases. If they do, I think you will see the economy change. But the attitudes of people have to change and the leadership has to make people feel they are comfortable. I think things are available to turn it around.

The Chair: I would like to thank you for appearing before this committee. This committee will resume in Windsor at 9 am sharp on Monday. We have next week's schedule. This committee is dismissed for today.

The committee adjourned at 1628.

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1991-92 budget

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Chair: Jim Wiseman
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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

MONDAY 19 AUGUST 1991

The committee met at 0900 in the Hilton International, Windsor.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: I would like to bring this committee to order. This will be the beginning of our third week of the standing committee on finance and economic affairs on the budget review hearings.

WINDSOR AND DISTRICT LABOUR COUNCIL

The Chair: This morning we are starting off in Windsor. What I would like to do is welcome the first group to appear before us, which is the Windsor and District Labour Council. You will have one half-hour for your presentation and question period. After your presentation, allow some time if you can for a question and answer period from the opposition parties, which will be divided equally. We will be starting off with the official opposition, going to the third party, then over to the government and rotating with each party coming in. Please identify yourself for the purposes of the Hansard and begin.

Mr McLean: On a point of order, Mr Chairman: I am wondering if we have a quorum here. It is important that a quorum be present at these meetings. I do not think we could be totally ignored by the NDP. I know they want to hear this presentation.

The Chair: I just saw Mr Sutherland and Mr Jamison walk in and walk back out again. We will recess for a minute or two.

Mr McLean: I think they should be here.

The Chair: Since I see a quorum, we will be begin.

Mr Parent: I would like first of all to introduce my colleagues here with me this morning. Ken Lewenza is the vice-president of Local 444, Canadian Auto Workers. Frank LaPosta is the secretary-treasurer of the Windsor and District Labour Council, as well as secretary-treasurer of Local 195 of the CAW. My name is Gary Parent. I am the president of the labour council and also financial secretary of Local 444, CAW.

I would like to welcome the committee to Windsor and thank the government for the opportunity to make a submission on behalf of the labour community of Windsor and surrounding areas. We have, in affiliated members to the Windsor and District Labour Council, over 42,000 members. We have seen in this country a recession that has not been experienced since the depression of the 1930s.

The number of manufacturing jobs lost in Ontario has escalated to over 97,000 last year, compared to the drop of 100,000 in 1981 and 1982. The difference now is that the majority of the job losses we are experiencing are lost forever. In Windsor we have witnessed the closure of plant

after plant, and if this committee wants proof of this, it should take a recess from these hearings and go out and take a firsthand look at what the federal government's economic policies have done to our community and many more communities across this country.

I would like to stray from my text right now and have Brother LaPosta give you an example of the flavour of the job loss we are experiencing here in our community.

Mr LaPosta: The following is a partial list of Local 195 units that have most recently closed their doors. These jobs have left this area for ever:

Arnold Manufacturing representing 100 people; Brant Castings, 57; Charles Laue, 20 more people; Advanced Gibson, 30 more people; Freedland Industries, 78 more people; Windsor Machine, 40 more people; Reflex, 90 people; International Playing Card, 30 people; International Robotic, 8 people; Newcor Canada, 30 people; Sheller-Globe, 419 people; Welles Corp, 180 people; Wickes Bumper, 320 people; Fruehauf, 13 people, and most recently Kelsey Hayes, 450 people, but at its peak it was well over 1,000 good, high-paying jobs here in the city of Windsor.

This is the type of devastation we have had to face here in the city.

Mr Parent: While you are out and about, the other thing you should take notice of is the number of small retail businesses that have also been closed. The reality of it is there has been a drastic increase in those types of closures as well.

As a matter of interest, on my way driving here this morning I took a look at our downtown area, on another street, Pelissier, which is one over from Ouellette Avenue, and I counted 24 small businesses that have gone out of business. This is another example of what is happening in this community and, I would imagine, other communities as you travel across this province, and what is happening in the real world.

During this current recession, business and personal bankruptcies in Ontario have soared, with business alone experiencing an increase of 73% in 1990 compared to 1989. Surely this indicates a major downturn in our economy, and implications for the future are considerable in terms of levels of employment, living standards and much-needed social services.

Having previously explained the problems many people have experienced, we must look at how the federal government has responded. Further cutbacks on program spending will cost the people of Ontario over \$1.6 billion this year alone. In Windsor, these cuts have meant people drawing UIC for a much shorter period of time, thus an escalation in our welfare rolls in both the city and the county, with no decline in sight. And yes, the municipal-provincial taxpayer will have to pick up this slack.

Other areas affected by the reductions of transfer payments from the federal government are health and education. In Windsor, this strengthens our concerns over whether more schools will have to close or whether our much-needed health services, such as a cardiac care unit, will ever become a reality for us in this community. A further concern to us would be the death of the medicare system as a national program enjoyed equally by all Canadians.

One must look at what the federal government is now planning to do by negotiating a North American free trade agreement. Has there not already been enough damage done to Canadians by the US-Canada free trade agreement? As Nick just alluded to, those are some of the results of the current US-Canada free trade agreement and some of the casualties.

As the previous Minister of Industry, Trade and Technology, Allan Pilkey, stated, the FTA has not worked for the people of Ontario, and we have proof of that, as we have just outlined. We fail to see how the extension of a deal to Mexico can possibly be of any benefit to our industries and our workers.

When one looks at Windsor, is it not evident that we are suffering enough? I guess not, because our federal government has put in place a new tax, the GST. We invite this task force to ask the retail business community of Windsor how this tax has affected it. Better yet, we invite them, as I suggested earlier, to go and look first hand at the empty storefronts that have become commonplace in our community since this regressive tax was implemented.

0910

There has been an outcry from this provincial government's opposition parties for a balanced budget. Let's just examine what a balanced budget would do for Windsor.

First, people would be faced with a 14% overall provincial tax hike which would be sucked up by the government instead of buying goods and services and maintaining jobs in this community.

Health spending in Windsor would be cut by \$33.8 million, which of course would then mean more loss of hospital beds and, in turn, nurses' jobs would be lost. Just what we need in this community—more unemployment.

Education spending would have to be cut by approximately \$18.2 million, which would mean more schools or classroom closures, which would put teachers out of work, not to say the devastation that would take place in this community and surrounding communities as it relates to disrupting students, having students going from one end of the county to another. It is just absolutely ludicrous.

Then we look at social services spending, which would be cut by approximately \$14.3 million, and we ask, is the city of Windsor able to pick up this slack? We all know of course that the answer to this question is no. We dare say these issues would not be readily addressed by these same objectors to this government's new provincial budget.

The ultimate question that has to be asked of those demanding a balanced budget is, how many classrooms and hospitals would close? How many kids and families would be cut off welfare? How would they raise taxes to

provide needed services for Windsor and our surrounding communities?

Contrary to the federal government's economic policy of cutting programs during this recession, we in the local community of Windsor applaud this provincial government's courage to fight the recession by sustaining and creating 70,000 jobs; by creating the \$700-million anti-recession program whose total expenditure, when combined with contributions of local government and agencies, will exceed \$900 million, and maintaining our health care and education systems despite cutbacks from the federal Tory government in the form of transfer payments.

We see this government putting spending power in the hands of the people of Ontario by not imposing the PST, the GST, instead of taking it away like the federal Tories have done.

When we look at the \$215-million social assistance reform package designed to provide benefits for those who are in the greatest need, we need only ask our social services commissioner here in Windsor, who we feel would agree, that this package will provide further relief to our already burdened municipality and ultimately the overburdened city of Windsor taxpayers.

Also, by providing tax relief for the poorest Ontarians by initiating the largest enrichment in the history of the Ontario tax reduction program, in the amount of \$100 million, the number of low-income earners whose Ontario income tax will be eliminated or reduced will increase by 700,000 for the 1991 tax year.

This government has also shown a positive attitude by allocating an additional \$12 million for new shelter beds and enhanced services for those who are victims of domestic violence. In addition, there has been an increase of more than \$8 million to expand and enhance services to women and children who are victims of sexual assault, which we feel has been escalated in both instances during this current recession because of the economic climate we are in ourselves in.

This government has also shown it is addressing the needs of the province by supporting an additional 10,000 non-profit housing units at a cost of approximately \$100 million. We in Windsor and surrounding areas certainly can relate to the need of such housing and are eternally grateful for the present projects which are currently under construction and in the planning stages.

The business community of this province has criticized the budget because of its deficit. We would like to add that we do not like deficits either, but as we asked earlier in our presentation, what service funding would they like cut to help offset this deficit: funding for schools; funding for hospitals; funding for community care for seniors; funding for training of our unemployed; funding for our increased social service case loads and needs? We do not believe they would choose any of the above.

We also believe it has to be stated that if none of the things proposed under this budget occurred and everything remained status quo, the reality is that the deficit would have increased to over \$8 billion anyway. This Ontario government has, in our opinion, received a bum rap for this budget, and we ask this task force to talk to the people

the closed Kelsey Hayes plant, the closed Wickes per workers, the closed Sheller-Globe plant workers agsville, the Wayne Bus workers, and the list goes on n. Ask them whether in fact they would want a bal- l budget or whether they would rather have money in pockets to feed their families and money put towards ning so they can be better prepared to go to work this economy gets on its feet. Obviously we feel answers would be the latter.

our view, this budget is taking a major step in the direction by investing in the people of Windsor and est of Ontario and, in essence, laying the foundation sustainable prosperity in the 1990s. We say to the busi- community of Windsor and this province, "Don't fear ew direction this Ontario government is taking, but r join with it to lead this country in economic growth 92 and for the betterment of all in this province." We to believe it is well worth investing in.

Mr Lewenza: I would just like to add that obviously / Local 444 put in for submissions, but because of the per of people who put in for submissions and time aints, it was not appropriate for us to have an official ng or an official time to be allocated. We have obvi- / left it up to the president of our union to talk on lf of the CAW, but unfortunately we did spend quite a nderable time putting a brief together in case we were ted. With the Chair's indulgence, I would like at least ve you the brief for your reading and hopefully, if you something done or written in terms of questions, you d certainly direct it to our local union. Thank you.

The Chair: Yes, thank you. They will be distributed ng the members.

Mrs Sullivan: I appreciate your being with us today submitting a brief to the committee. One of the things is very clear, of course, in the Windsor area is the station from closed plants, some of them short-term, e long-term, lots of layoffs and so on. One of the gs we do not see in this budget is long-term job creation fforts that will attract the investment to create those -term jobs in the longer term. I am interested that the ur council has been so euphoric about the budget when ct those very significant details are lacking. I wonder u could comment on that.

Mr Parent: If one looks at the budget totally, I think ave done that by the retraining dollars they are put- in place. I think they are looking. Also, there were ts available to businesses that are suffering and having e difficulty sustaining a viable climate of operation. So nk they have done that.

What you have to do first, if you are looking at getting economy going, is to put the confidence back in the nness community. I believe the confidence is there, first ll, by the people having the money in their pockets o are going to keep this economy going. You cannot do y cutting back the spending power of the people of ario. I think they are doing that in this budget and the g-term effects will be well received. When one looks at e of the economic advisers who are coming out in our of this budget—

Mrs Sullivan: Who are they again? They are those you like to quote from usually, are they not?

Mr Kwinter: No, they have all been warned not to use that name any more.

Mr Parent: Anyway, I believe there is confidence in this province and that this government has had the courage to look forward for Ontario and get this economy going. You cannot do it by cutting services; you cannot do it by cutting programs that are necessary for the people of Ontario or the rest of this country, for that matter. The federal government certainly has done a good job of trying to dissuade people from really putting forward economic growth to this country.

0920

Mr Kwinter: Thank you very much for your presentation. I was really taken with the comment that the opposition parties were calling for a balanced budget. I do not think anyone has ever called for a balanced budget. As you said, there is no way. How could you have a balanced budget given the economic situation? The revenues are declining and the kick-in automatic welfare payments are going up. What the complaints have been about is not even so much the deficit this year. We understand we are in a tough time. Where most of the criticism is coming from is that over the life of this government it is projecting deficits in the \$8-billion range every year, so that by the time its mandate is over—from the time it took office to the time it finished—it will have doubled the provincial debt. That is a problem, because that is deferred taxation. Someone is going to have to pay for it. That is the concern that has been expressed by a lot of people.

The other thing I would really like to get your comments on, because I find it very strange, is that in all of these programs that have been announced—the \$700-million anti-recession program, the program to help manufacturers—I would say at this point in time that less than 10% of it has been allocated. When I said to the minister in the House, "There's no money in the budget for MITT for this program," he said, "We don't need it this year because we're going to spend this whole year just taking a look at who needs it." So by the time this money comes around, we will be into a recovery program.

The Prime Minister has already declared the recession over. I do not believe that. On the other hand, we have a situation where there are tough times now and all we are getting are promises of programs that will be put into place. But at the present time very little of that money has been spent. I would like to get your comments as to how that is going to affect Windsor today, where there really is a problem, and we appreciate the problem.

Mr Parent: I guess these hearings are part and parcel maybe of why some of these programs have not been implemented. If the budget would have got approval in the Legislature when it should have had approval, I believe maybe some of these programs would have been on their way. Quite frankly, maybe some of the tie-up is a bureaucracy we are now tied into, when we look at the hearings we are taking part in today.

I think also when you look at the training programs we are talking about, there are programs that have been started in a community such as Windsor. First of all, you have to assess what the needs are in this community. When you look at the plant closures Brother LaPosta named off to you, the makeup of that workforce is predominantly, first of all, of ethnic origin, so you have to look at what their needs are. Obviously, possibly in all probability, the most important need for them is basic literacy skills that have to be looked at. You are looking at an older workforce that has been affected by these plant closures, so you have to look at what their particular needs are in this community.

If we are looking at some long-term future for these people who have been affected through these plant closures, you have to assess what their needs are. I do not have any problem with the way the government is handling it as far as what it is doing up to this point, because we have to accept responsibility for our future, unlike past governments of this province and of this country where they would throw money at Band-Aid approaches, as far as we are concerned, in trying to give people a false sense of security.

I think this government is looking at trying to put what you are asking for, really, and what the other person asked for earlier. I think you are looking for long-term gains for this community and other communities by first assessing the needs and what the needs are in each community. You have to find out what the needs are. You cannot just throw money out at Band-Aid approaches and hope everything is going to come out in the recovery. I am not as optimistic as the Prime Minister of this country that everything is going to be hunky-dory in a very short period of time.

Like I say, Windsor historically has always continuously felt any downturn in the economy first. We are usually the first to come out of the recovery, but the recovery is not as blatant and is not as forthcoming as some people want to express it is, because it is not there. Look at our unemployment rate in this community—

The Chair: Mr Parent, I have to cut you off. We have to go on to the next party. The official opposition has run out of its time. Sorry I have to do that.

Mr Parent: That is fine.

Mr McLean: I believe gas went up by 1.7 cents July 1, the gas guzzler tax went into effect August 1, cigarettes and booze went up the night the budget was introduced. Could you tell me when you think the budget was or should have been approved? You said it has not been approved. Why are all these taxes in place?

Mr Parent: Obviously there are certain parts of the budget that had immediate implementation. I am talking about the longer-term projects that have been outlined in the budget.

Mr McLean: Could you name me one that is not approved because of the budget?

Mr Parent: Some of the training dollars are still not forthcoming, obviously waiting for the conclusion of these hearings to make sure everything is okay, as far as I know.

If I can make a comment about the price of gas, the gas guzzler tax, tax on cigarettes and tax on the alcohol, as you alluded to, working people in this province obviously do

not like to see taxes go up. But at the same time, if they see some results of where their tax dollars are going, if they see the results of how the taxes are helping people in Ontario, I do not think there is a problem with the people of Ontario accepting those types of increases.

Where the problem comes in, if they see these rising, no results, no programs implemented and no programs put forward to help this province get going, that is when the people of Ontario will be more upset than they currently are.

Mr McLean: The basic question was that the budget was not approved, and it has been approved because of these hearings. I am here to tell you it is approved. The budgetary process is in place and will be proceeding through the normal channels.

You mentioned in your brief the retail business community. It is unfortunate that in this whole list we got not see anybody here from the retail business community appearing before us. I think that is a shame, because we should be listening to those people out there to find out what the retail business community's problems really are.

I do not know what I can say. You spoke about a balanced budget. Mr Kwinter asked a question I was going to ask, so I will pass to my colleague.

Mr Carr: I am pleased to be in Windsor here. Thank you very much for your presentation. It was very well done and interesting.

You talked about some of the things with the federal government. I had a poll in front of me that was commissioned and that talked about the government introducing new laws to increase government spending during the federal budget. The question was asked, "Do you agree or disagree strongly that the Ontario government should pass a similar law?" and 77% of the people who voted for the NDP said there should be some controls on spending.

I was just wondering what your thoughts were on such a large proportion of the people feel there should be some spending control and yet you say there should not be. How do you jibe that with the statistics here?

Mr Parent: Obviously people do not want to see the government that is frivolously spending money. But when you look at what is being proposed in the budget, as far as their spending, I do not think it is frivolous spending. As we say in our brief, we think they are spending money on the people of Ontario and to get the economy in the province going. I do not think, quite frankly, they view this as frivolous spending.

Mr Carr: Some things have been pointed out, you may have read about them last week. The chairman of TVOntario has nine TVs in his office, he has a chauffeur who is paid \$51,000 and they spent \$2,000 to send a Japanese businessman to Cleveland to watch the Blue Jays games, things like the Minister of Community and Social Services, Mrs Akande, spending \$54,000 for a new carpet in her office. There are areas where spending can be controlled and I think they are saying they want controls.

When I look here you people are saying, "We have to spend all this money." Do you not believe there is any control in this budget where we can be controlled? And if we w

constructive, is there anything you can see, some where we can control spending, to offer in a constructive manner to the people on this committee? Are there any areas you see where we can control spending?

Mr Parent: Not knowing the intricacies of the bureaucracy in the Legislature of Ontario, I cannot really comment as far as where I would see who gets carpet and who does not get carpet. As a citizen of Ontario and in the community of Windsor, I can see where the need is of injecting money to help people pull themselves out of this recession. We find ourselves in and the economic climate around ourselves in. That is where this money from the government in the province should be spent, and I believe this budget that is exactly where the money is coming from and going to, to help the people in Ontario.

Mr Jamison: Thank you for your presentation this morning and for taking the time and making the effort to be in front of the committee. I have been sitting in the hearings for two weeks now, and most of the detractors from the budget really are saying one thing to the government. They are saying: "You have spent too much. We would like to see a lower level of deficit." At the same time, I have had a very difficult time having people who could take the budget and explain clearly where these cuts that are being talked about should be made.

There was \$1.5 billion in new spending; \$700,000 of that was the anti-recession fund that has gone to work in the community, including Windsor. It is interesting that you would talk in your presentation about the effects on the small business community in Windsor. I want to give you an example and I want you to answer as best you can: If we had taken the same position as the federal government and had actually frozen transfer payments to the municipalities, how would that have impacted here in this community as far as municipal taxes are concerned—probation services? How do you feel that would have impacted if the government had taken the same position as the federal government and frozen transfer payments to the municipalities in particular?

Mr Parent: It would have been absolutely further assistance for our community. When one looks at the highways that were put in for the infrastructure that was also a part and parcel of trying to keep the economy going, and if the moneys were not there, we would see that we would not have the sewers; we would not have, thus, construction to provide those sewers. We would have further layoffs in the construction industry. If one looks at the affordable housing area, as we alluded to in our brief, that again construction people back to work. I mean, you cannot have an economy going in a community like Windsor if there is not some help from the senior levels of government, both provincially and federally. Unfortunately, the federal government has not been there. The provincial government, thank God, in its latest budget at least, believes that Ontario municipalities do deserve some help and it has provided it, in our opinion, in this budget. We thank you for that. I wish, in \$700,000; I wish it was \$700 million.

Mr Jamison: It is \$700 million. I may have misquoted, but it is \$700 million. That is right.

Mr Parent: And that is what we need. We need money in this province to keep the economy going and to get it going.

Mrs Sullivan: Yes, but the takeoff is not nearly that high.

Mr Parent: We cannot do it if we are going to reduce payments to the municipalities from the senior levels of government, like I say. We only hope that sooner or later the federal government changes in this country so that we can have a government that is responding to the needs of Canada as a whole and to the rest of the provinces that are in need of the money in the form of transfer payments.

The Chair: We have run out of time for the government. I would like to thank the Windsor and District Labour Council for its presentation.

UNIVERSITY OF WINDSOR STUDENTS' ADMINISTRATIVE COUNCIL

The Chair: The next group is from the University of Windsor Students' Administrative Council. Would they come forward, please.

You have one half-hour for your verbal presentation. Leave some time at the end for oral questions from the three parties and, if you would not mind, identify who you are for Hansard. Welcome to this committee.

Mr Papa: Thank you. My name is Nino Papa. I am the president of the students' administrative council at the University of Windsor. Along with me this morning is Dr Paul Cassano, the senior vice-president of the University of Windsor. I will jump right into my presentation this morning.

It is with great honour I take this opportunity to speak on behalf of the students of the University of Windsor and students across Ontario.

In reading the press and watching news broadcasts, I have found that this budget, more than many others, has been scrutinized. This, of course, is due in no small part to the fact that this is Ontario's first-ever New Democratic budget. This also should be welcomed by all bureaucrats and citizens for two main reasons: Not only does it show that there is a vested interest in government actions by the people of Ontario, it also shows the great cruciality of this budget. It is a strong fact that this budget, because of the seriousness of this recession, will have implications on this and future governments' fiscal and economic policies.

This budget has endured great criticism. This criticism has come in areas ranging from, of course, the deficit to the funding of programs and not cutting their services. I plan to touch base with many areas included in the budget in my presentation today, but because of the lengthy contents of it, I will concentrate on the areas that are of importance to all Ontarians and that are directly related to my current situation as a student and resident of Windsor.

First, allow me to address the recession and how this government is taking initiatives to fight what I am sure all communities from business to labour are fed up with.

As of April 1990, Ontario has faced its worst economic downturn since the Great Depression. In the past year

236,000 jobs were lost. Almost half of these jobs were in the high-paying manufacturing sector. As a matter of fact, the loss of manufacturing jobs in this recession is almost equal to the total job loss of the 1981-82 recession in itself. A scary realization for all Ontarians is that many of these jobs are now lost forever. Partial or complete plant closures contributed 65% of permanent layoffs. Needless to say, Windsor was especially hard hit due to its large dependency on the manufacturing plants that make up a large portion of its employment capabilities.

On a more severe scale, 59% of layoffs in the first five months of this year were for the same reasons. These statistics are in severe contrast to those in 1982, where only 24% of permanent layoffs were due to partial or full plant closures, the remainder due to companies temporarily cutting their workforce.

This recession has, without a doubt, been more unfair to Ontario than any other province in Canada; 52% of all jobs lost in Canada were in Ontario. Again, this was extremely detrimental to our community because 60% of all manufacturing jobs lost in Canada were in Ontario. This can only contribute to cross-border shopping and poor revenue incomes for business people in Windsor.

We must also look at this recession and be compassionate towards members of our business community. The severity of this recession has caused a 73% increase in business bankruptcies in 1990. Personal bankruptcies were up a staggering 83% in 1990 over the previous year. It is these statistics that caused a \$1.4-billion cost increase to social assistance. This beast that we all face and must deal with called the recession will cause as many bankruptcies in the first two thirds of 1991 as Ontario businesses faced in all of 1990. It comes as no surprise to any of us here today when I say this recession has had its day in the sun and now it is time to put an end to it.

James Frank, chief economist and vice-president of the Conference Board of Canada, said the Ontario budget should be praised and that it is a confidence builder that will help Canada emerge from this recession.

I share the sentiments of so many who say this government took the right course in fighting the recession. The government's anti-recession program is a step in the right direction for many reasons. This program includes the creation of jobs for the maintenance of many areas that I strongly feel have been neglected by all political parties and governments. As Ontarians we should welcome with open arms the 14,000 jobs that this program will create in 1990 and 1991 in such tough times. These jobs are intended for the maintenance and improvement of facilities in the public sector, such as hospitals, schools and the very needy colleges and universities. This is a commitment made by this government and its first-ever budget that we, as the citizens of Ontario, can hold it accountable for. This \$940-million program should come to municipalities throughout the province with great acceptance as it is a direct investment in their economies.

In choosing to fight the recession, I am sure you are all aware that it is inevitable that the deficit is increased. It also means that by not cutting back on schools, hospitals, colleges and universities, municipalities and social services,

approximately 70,000 jobs will not be lost in Ontario would have been lost with a zero deficit.

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Two initiatives taken by this government to fight recession are very crucial to a large sector of citizen Windsor and Essex county. Due to plant closures, many employees in Windsor have suffered the crunch of having to compensate their situation and create an income. As mentioned previously, bankruptcies have never been higher in Ontario. Through the employee wage protection program, workers are guaranteed vacation pay, termination pay and severance pay for such situations.

It seems as though many of us take the importance of farmers, for granted. Not only must they accommodate the situation granted to them by Mother Nature as far as floods and droughts are concerned, but they also face what many others are rapidly growing very tired of: government underfunding of programs. In my own opinion, it is reassuring to see that this government has kept farmers in mind by providing \$97 million in financial support, \$50 million of which will be in interest rate relief.

Essex county entails large numbers of farmers including areas such as Kingsville, Leamington, Harrow and Amherstburg to name a few. It is vital that these ever-important people begin to be recognized by governments of all parties.

It seems to be a plan of this government to contribute to the already existing number of non-profit housing facilities in Ontario. This contribution will be to the tune of 10,000 new non-profit and co-op housing units, which will create some 20,000 short-term jobs. I stress the "short-term" because it concerns me that when these units are completed, the employees revert back to social assistance. This government needs to find alternatives to these short-term solutions that will inevitably have long-term ramifications.

The Treasurer of Ontario, Floyd Laughren, stated: "As a New Democratic government we have a choice to make to fight the recession or to fight the deficit. This year we decided to fight the recession and are proud of that choice." This is also a choice which I feel the people of Ontario can be proud of. It clearly illustrates the type of leadership that is desperately needed at this point in the province's existence.

Not only do I feel compelled to speak on the \$9.7-billion deficit, I also welcome the challenge of speaking on such a sensitive issue that affects every human being and community in our province. Needless to say, this has been the largest criticism of the budget. Let's look at it in perspective. Not only was the government working with an already existing \$2.5-billion deficit, it was faced with, again, Ontario's worst recession since the great one. This forces any government to manage taxpayers' money with more compassion, which should be done even in the best of times. In reality, most of the deficit is automatically incurred by the recession, namely the increase in spending on social services, the non-cutting of education, health care and the decrease in government revenues due to high unemployment. Ontario will pay \$3.6 billion for established programs financing, which includes health and post-secondary education, in 1991-92 alone, due in large part to the federal government's cutbacks in such programs. As more people

on social assistance last year, government revenues Welfare costs have doubled in the last three years. I d like to ask those who do not appreciate the welfare m what should be cut first, the more than 50% of le on welfare who are single mothers? Or do we cut 12% that goes directly to the province's future, our ren? Without this deficit, what would the Treasurer's slash first? Would it be schools, hospitals or community for seniors?

Not only does this deficit have a protective element for dy existing programs, it also absorbs the introduction ew programs that are direly needed in Ontario. Some million will go to the municipalities for such programs e 3Rs. This will encourage a quality recycling pro- h throughout our province and ensure that our planet is s best possible condition for our subsequent generations. million will go to stopping wife abuse and sexual assault, ething that is becoming more and more prevalent on ersity campuses across the country.

n my opinion, the only way sexual discrimination will nimized is by creating programs that entail men and en working together to face this brutal problem. As it ds, Canada is at the bottom of the list when the list erns wage comparisons between men and women. Is ossible that we, as a nation, still have such a long way o? I am glad that finally a government at least made an mpt to cure this problem by allotting \$155 million to equity, ensuring that 420,000 well-deserving women paid fairly.

These are the types of things that must be dealt with so we in Ontario have a more fair and just society that all ks of life will be able to take advantage of. It is, however, duty of Ontarians to pressure this and future governments allocate these moneys to the proper areas so that all munities will benefit. To the people of Ontario: ether it be an NDP, Liberal or Conservative government, us not let them forget that it is us they are accountable to, we hold them responsible for their actions.

It is time to realize that voters who are directly related he post-secondary education facet of government funding d to be directly recognized, for they are future builders. ese women and men are librarians, administrators, todians, researchers, and most importantly, students. hough \$1.7 billion of the \$6.3-billion spending increase l go to health care and the education system, the decrease unding to post-secondary education has proven drastic.

More educators are being put on unemployment lists l students are suffering as a result of overcrowded class- ms and not being able to enrol in required courses. This ously erodes the quality of education a student is paying esome amounts of money for. This is all coming at a d time. Because of high rates of unemployment, more ple are returning to college or university to enhance ir skill levels. It is blatant the universities have become ess prioritized item of governments. Not only is this presented in the federal government's cutbacks in transfer yments, but also in the decline of its share of provincial dgetary expenditures from 1977-78 to 1991-92.

There is something definitely wrong when, since 1978, e provincial government has not accepted the advice on

funding given by the Ontario Council on University Affairs, which is not only an advisory board to the government, but also a board that taxpayers fund to be in existence. It should be used to the fullest capacity.

I have enclosed a couple of graphs and figures in my presentation today, but unfortunately I did not make enough copies for all the task force to see, so maybe I could distribute the ones I have.

The Chair: I would appreciate it if you would give it to the clerk there, and we will make copies for all members of the committee.

Mr Papa: Figure 1 and table 1 of my presentation will show that government spending has decreased from 5.92% in 1977-78 to 4.09% in 1991-92. This past year alone saw a government decrease of 0.23%, or in other terms a loss of nearly \$108 million. More than \$870 million has been the cost to universities in operating grants a year since 1977-78.

Another issue I wanted to address today was that provin- cial governments' expenditures have consistently grown faster than government grants to universities. This is simply unfair for students, who are trying nothing more than to better themselves.

I have also included figure 2 and table 2 which show that although grants to universities have increased some 8%, total provincial budgetary expenditure was to rise a projected 13.4% in 1991-92. I also must remind everyone that tuition is up 8%. Government expenditures have increased a third faster than grants given to universities.

Other public sectors have had increases in support for each individual they serve; for example, correctional institutions. These rates have all been higher than the rate of inflation. After the inflation rate, hospitals spent 38% more each day per patient in 1988-89 than in 1977-78. Universi- ties, on the other hand, spent 14% less each day for each full-time student enrolled in 1988-89 than in 1977-78.

I do not feel any government deserves to be praised when the issue is post-secondary education. It is a sector of govern- ment funding that has taken its share of abuse, and unfortu- nately the ones losing the most are not the investors in this sector but the province itself, for not investing in its future.

If this trend is to continue, then the article published in last week's Windsor Star, entitled simply "Universities Élitist?" will become cold, hard fact. Let us not forget that a university is a place where a person has the opportunity to interact with all denominations, races, nationalities, be- liefs and philosophies, which is an education in itself.

I have heard the old cliché, "You've got to help your- self before anyone will help you," many times. The students of the University of Windsor have helped themselves. Not only is a \$1-million contribution from alumni hoped for, but the current student body has committed to financing \$10 million of a \$14-million expansion to our university centre. These are clear-cut examples that the University of Windsor students are pulling their end of the line. It is time that it gets reciprocated.

It is my deepest concern that this budget brings not only economic stability to our province but also high levels of employment to our community, Windsor. I am also con- cerned that a person be able to obtain a quality education if

so desired. Most important, however, I hope this budget is the beginning of a restructuring process that will create an economy that is representative of all and allows the benefits of such an economy to be shared equally by all citizens of Ontario.

Once again, thank you for allowing me this great opportunity to express my concerns not only as a resident of Ontario but also as a student representative.

Dr Cassano: I would like to thank the committee through its Chair for the opportunity to enter some observations on the importance of the home university to this community. I am confident that the Ontario universities' case for enhanced funding and the documentation concerning historical university underfunding in this province have been fairly riveted into the memory traces of committee members by sister institutions.

I forget who it first was who made the slippery slope comment, "Just because you're paranoid doesn't mean the whole world isn't out to get you." Let me recast and say just because my observations here today do not bear on the underfunding issue does not mean that the University of Windsor is not underfunded. But I want to take a different tack.

Four years ago we decided to patriate our faculty of education, located at a four-and-a-half kilometre remove, to the main campus. Our faculty of business was bursting at the seams, so we decided to construct a new business building and move the education faculty to the vacated business building, or old business building, as it has become known. This move is taking place even as we speak. As it turned out, the province could only see its way clear to paying approximately one half of the \$18.9-million figure required to construct the new building. We had to raise the other half in the private sector. We prepared the summary I am about to give in order to appeal to the business sense of the corporate community and in order to highlight the considerable economic impact of our university on its community.

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The University of Windsor was established more than a century ago to meet the educational needs of Windsor-Essex county residents. Founded in 1857 as Assumption College, then nurtured by the Basilian Fathers from 1870 to 1963, the university has produced more than 50,000 alumni, the vast majority of whom live in Windsor and Essex county.

Today the university offers its 15,426 students the opportunity to study at an internationally recognized university that offers more than 124 undergraduate and 45 graduate degrees, including such professional areas as business, nursing, engineering, law and the sciences. At the same time, the university has maintained its historical legacy by offering a large number of programs in the arts and humanities. Nearly 700 faculty members offer instruction and research, 528 full-time and 149 part-time.

The university granted 2,885 degrees in 1990-91, 2,556 at the undergraduate level and 329 at the graduate level. A large percentage of the university's graduates are part-time students drawn from the community at large.

Professors annually attract \$7.2 million in research grants. In 1990-91 the University of Windsor's professors

had over 1,000 research grants on file, approximately value of \$7.2 million. The academic staff conducts world-class research for a number of major international organizations and companies, as well as assorted Canadian and non-Canadian government agencies.

University facilities provide a focal point for the community. The university's 125-acre main campus on the banks of the Detroit River provides a focal point for the community. Its 41 buildings are home to the university's 27 academic departments, six schools, four libraries, and athletic facilities providing Windsor and Essex county with an academic city containing almost three million square feet of space for teaching, research, cultural events and athletics.

Thousands of jobs depend on the university's activities. As Windsor's fourth-largest employer, only after the City of Windsor, Three, with a staff of 1,636, the University of Windsor plays a major role in the region's economy. Out of the university's total 1990-91 expenditure of \$126.5 million, 71%, or \$89.8 million, went to salaries and benefits for faculty and staff. The balance of approximately \$36.7 million was spent on goods and services. Analysis using methods developed by the American Council of Educational Policy reveal that the university is responsible for injecting \$5 million a year into the local economy. This represents the combined local spending of the university (\$16.2 million), employees (\$48.7 million), students (\$31.3 million) and student associations (\$1.1 million).

Economists use a term known as the multiplier effect to describe how a certain policy or expenditure can create economic growth. In a local context, the multiplier effect means that the University of Windsor's spending boosts the Windsor-Essex county area's overall rate of economic activity, creating a total of \$207 million of spending for local businesses and the equivalent of 4,597 jobs.

Quite apart from its economic impact, the university offers a variety of important services to the community. Its library collections, which house 1.4 million volumes, are open to the public and provide an invaluable source of reference material for residents of Windsor and Essex county. The university also provides research, consultation, information and translation services that have been widely used by area businesses, as has its Canada Employment Centre.

The university provides arts and entertainment. From film showings to theatrical presentations, from art exhibitions to public concerts and lectures, the university acts as a link between the community at large and the world of the arts.

Last, the university promotes sports and athletics. Its recreational facilities and sports medicine clinic are open to the public.

The university's faculty members serve as advisers to governments and international agencies, including NATO, the World Bank, the International Monetary Fund, the Organization for Economic Co-operation and Development and others. University scientists have made advances against such diseases as multiple sclerosis and muscular dystrophy. The university's physics department has an international reputation in atomic and molecular physics and graduate studies and research.

A key ingredient in the university's rising status has been its belief in the importance of establishing contact

institutions around the world. The university's faculty business administration, for example, has international projects ongoing in China, Indonesia, France, the Philippines, Kuwait and Singapore.

Serving the community: The university has also devoted itself to the needs of the city's industrial base through its innovative swing shift program, which makes university courses accessible to rotating shift workers.

The university offers a large number of programs away from its main campus, a service that has been used by thousands of students to date. It annually offers 50 courses in Wainfleet, 77 in Chatham and 12 in Wallaceburg. There are a number of courses offered to Windsor students and to students from all over the country who wish to study in Windsor, including a very large and successful program in France.

Professor Gary Becker, an internationally renowned economist at the University of Chicago, has written that the sum total of an individual's knowledge should be counted as an economic asset inasmuch as one can readily identify its impact on his or her earning power. This principle, known as the theory of human capital, is traditionally used by economists to explore the economic effects of training and education.

The university's economic impact is therefore far greater than the sum of its expenditures. Any calculation of the University of Windsor's economic effects must take into account the value of human capital that is produced. If one assumes that a university graduate will have an average lifetime earning advantage of \$8,400 per annum and that he or she will work for 40 years, then without even taking inflation into account, a university degree increases its holder's earning power by \$336,000. Many of the university's graduates are in the upper-income brackets of computer-related businesses, management, law, engineering or other professions with high higher lifetime wage differentials.

Approximately 60% of the university's 50,000 graduates live in the Windsor-Essex county area. In terms of human capital theory, the university's graduates represent considerable additional lifetime income for the region.

But universities do far more than conduct research and educate their students. They provide a centre for community life. From film showings to theatrical presentations, from art exhibitions presented by faculty and students to public concerts and musical series, the university serves as a link between the community at large and the world of the arts. During the school year thousands of Windsor and Essex county residents attend athletic events, banquets and other special events at the St Denis Athletic and Community Centre at the university.

The university also provides research, consultation, information and translation services that have been widely used by area businesses, as has its Canada Employment Centre. La Maison Française, for example, is a bicultural and bilingual community resource on the campus of the University of Windsor providing expert technical and general translation services for the residents of Windsor and Essex county.

The community has also been culturally enriched by the presence of a number of noted authors on campus. For

example, W. O. Mitchell, who first gained national acclaim with his novel *Who Has Seen the Wind?*, was writer in residence from 1978 to 1987. As well, Joyce Carol Oates, one of North America's most acclaimed authors, wrote several of her novels and short stories while she was a professor of creative writing in the department of English.

I have not detailed the further economic impact of the university's capital expansion projects, which are ongoing, on the economic life of the community. I think it fair to observe that this community would be much diminished by the University of Windsor's contraction or zero growth, since the university is a major cultural, educational and economic force in this area.

The Chair: Thank you. Your presentation was very informative. We have one minute for each one of the three political parties. Could you ask the question quickly so you can get an answer from the presenters, with a short preamble.

Mr McLean: Thank you for your brief and the statistics you give. It is very enlightening. The 8% increase in student fees: There was a commitment in the last election that they would be frozen; now there is an 8% increase. What is your opinion with regard to that? The other question I have is, you said the farmers got \$97 million in help. When does that take effect?

Mr Papa: To address your question about the 8% increase, I said in my presentation that it is simply unfair to do something like that to students who are trying nothing more than to better themselves. As far as the issue of the \$97 million with farmers is concerned, I do not know when it is to take effect. In researching my presentation today, I came across the information and I thought it was important because there is a large portion of Essex county residents who are farmers.

Mr McLean: The important issue here is that if it had been brought in this year, it would have got effected this year, but it was not.

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Mr Dadamo: On behalf of our delegation here, we thank you very much, Mr Papa. I had made several presentations as far as money is concerned to the University of Windsor in the last year. It has indeed been a pleasure to have given several million dollars on behalf of our government.

As a young individual and as president of the student council at the University of Windsor, in contacts that you have with your colleagues on a daily basis, I am sure, and some of the dialogue that you have had also, what kind of avenues should the government be looking at as far as setting aside some money is concerned? What kind of avenues are you looking at to better education?

Mr Papa: I mentioned previously that other sectors of public funding have enjoyed increases in funding per individual they represent. I am not saying these areas should not be a priority of government; I am simply saying that I think it is time education also becomes a priority of governments.

The Chair: I would like to thank you for your presentation. The official opposition have no questions.

Mr Kwinter: I did not say that.

The Chair: Oh, okay.

Mr Kwinter: There's just not enough time to ask them.

The Chair: It was a very well detailed brief, and I believe that is the reason there were no questions on it there. I would like to thank you for your attendance here at the standing committee on finance and economic affairs on the budget review.

Mr Sutherland: Before we continue, Mr McLean's question to the presenter talked about the \$97 million for farmers and wanted to know when that money is out. I just wanted, for the record, to let people know I have been talking to some farmers in my riding who have actually received their cheques already for the interest rate relief, so some of that money is out in the farmers' hands.

CANADIAN AUTO WORKERS

The Chair: The next presenter is from the Canadian Auto Workers, Mr Bob White. I would like to welcome you to the standing committee on finance and economic affairs on the budget review. You have one half-hour. In that period of time, leave some time at the end for questions and answers from the three parties. If you would identify yourself and your colleague for the purposes of Hansard, you can begin immediately.

Mr White: I appreciate the opportunity to be here this morning. With me are Frank McAnally, who is the president of Local 200 in Windsor and also a member of our national executive board, and Sym Gill, who is a member of our staff in the research department. We have a number of other local union people who are here with us this morning as well.

We will read the statement. I think we will probably be about 15 minutes, and it should leave another 15 minutes for some questions.

Budgets are about choices. They are statements about priorities and direction, about who will benefit and who will pay. They occur in a particular context, which sets some limits on what can and cannot be done.

The economic context: The economic context of the Ontario budget was the deepest recession since the Great Depression. More than a quarter of a million jobs were lost during this recession, almost doubling the numbers unemployed, leading to an explosion of welfare cases and accelerating growth in the dependence on food banks in this, Canada's wealthiest province.

An especially frightening aspect of the recession was the parallels to what had occurred in the United States in the early 1980s. At that time, the high US dollar and the deep recession devastated American manufacturing. Today, however, it is our dollar that is overvalued, and more than three quarters of the lost jobs have been in manufacturing. Some 200,000 jobs, almost one manufacturing job in five, have been lost. Ontario's job losses in manufacturing have been proportionately higher than those that occurred in the United States in 1981 and 1982, and compared to any past recessions, a very much higher percentage of the jobs being lost have been permanent jobs; ie, as you have heard earlier today, jobs lost through workplace closures rather than lost due to cyclical changes.

The fear was and remains that the development of the rust belt in the United States a decade ago may now be spreading into Canada.

The political context: The political context of the budget was that the 1990s began with a reversal of trend during the 1980s. A left-of-centre government had been elected in Ontario with a mandate and a commitment to do things differently.

Political analysts will debate why the NDP government was elected. One critical factor was, I believe, a reaction to the increasingly close ties between governments and business elite and the resulting impact on the rest of the province. People were asking, "Who speaks for us?" In Ontario, this was expressed in a mini-revolt and the election of an NDP government.

The hostility of the business sector was there well before the budget. The attacks on the budget by the Business Council on National Issues, the Canadian Federation of Independent Business, the Canadian Manufacturers' Association, the chambers of commerce and others were articulated in terms of the deficit. There is good reason, however, to argue that their real concern was that the government was daring to move in a different direction than the federal Tories and other provincial governments.

In previous times, this government's response to a collapsing economy and the resulting suffering would have been described as relatively mild. In this period, however, where business arrogance had grown through having things very much their own way, the refusal of the NDP government to toe the line was viewed as a challenge. The suggestion that there might be an alternative to the Tory business agenda. This threat, much of business seemed to be saying, had to be stamped out.

The budget and the deficit: Contrary to the misleading information put out by the Liberals during the election campaign, the new government inherited an almost \$3-billion deficit rather than a balanced budget. The consequent expansion of this deficit can be broken down into three categories.

The most important piece is the collapse of revenue due to the collapse of the economy. Even with some of the tax increases, government revenue actually fell during the recession, something that had not occurred in recent memory. This was compounded by the \$1.6-billion reduction in the federal government's transfer payments. Second, and without considering any improvements in social assistance, the rising welfare case load caused by the economic collapse added another \$1.4 billion to the deficit. These two factors, along with other normal, ongoing increases in spending such as those for education, health, roads and so on would have led to a deficit of about \$8 billion even without new initiatives.

The third factor, which accounts for the rest of the \$9.7-billion deficit, was new government initiative in areas like social assistance, the wage protection fund, equity, support for research and development and the expansion of municipal projects in communities like Windsor.

A group of 59 economists, primarily university professors, recently responded to the budget's critics and argued that in the context of what is happening in the province, relative to the federal government's approach, "The Ontario budget is much to be preferred, and is the one which should be pursued in concert by both levels of government."

earlier, as was mentioned, the Conference Board of Canada's chief economist—somebody I do not usually like to quote—had stated that if Ontario had taken measures to reduce the deficit at last year's level, "We could easily have ended up with a much longer recession."

Budgets and choices: It is ironic that so much of the discussion in Ontario and Canada has been on the deficit, when in the United States even right-wing and establishment economists are talking less about the large deficit in the federal budget and more about the more fundamental issues of where the money goes and who pays.

Business in Ontario cannot hide behind the deficit. If business wants to reduce the budget, they have to tell us what they would like to see increased and which programs they would like to see cut. If the Treasurer were to announce that in the name of balancing the budget he was introducing a new emergency tax on business and the wealthy, I do not quite expect he would wake up the next morning to find he had become a pariah among the well-to-do.

Where does business stand on tax reform?

Do they want more of the health care costs shifted to the private sector, thereby reducing the government deficit?

Is business arguing that we should spend less on education? Whatever reforms our educational system might need, it is difficult to imagine that investing less is consistent with the improvements that are necessary.

Are they arguing for cutbacks in research assistance?

Are they suggesting that collective agreements signed in good faith should be ripped up, as other provinces have done?

Do they deny that our physical infrastructure needs to be maintained? Americans are now generally feeling and regretting the real costs of the Reagan years with the underinvestment in the nation's cities, environment and transportation system.

Do they think we should aggravate the recession and the shortage of affordable housing by cutting back on housing?

Does business think it was a mistake for the government to maintain some 70,000 jobs by refusing to take money out of the economy at this time, or for it to advance needed municipal and other projects to create 14,000 desperately needed jobs?

Is business saying that individuals laid off because of Canada's insane monetary policies, the goods and services trade agreement and the Canada-US free trade agreement, and then compensated by cuts in unemployment insurance that force them to live on welfare, should be denied welfare cheques? Do they consider it overly generous to provide workers who face workplace closures with some guarantees that they will at least get what they are contractually owed?

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Future budgets: I would like to raise before this committee a number of issues regarding future budgets.

The first one is consultation. The expansion of the tax on fuel-inefficient vehicles highlights a concern we have with improving budget consultations. We were not contented about this tax, nor was the industry, and the tax, in its original form, did not seem to make anyone happy. To the credit of the government, it was flexible enough to modify the tax when the constituencies reached a consensus that

was consistent with the government's intentions. In the interim, however, there was a great deal of perhaps unnecessary aggravation. I am not sure of the answer, but there must be some more open and accessible mechanism for involving people in the budgetary process without undermining any legitimate concerns there might be with confidentiality.

The social agenda: As we emphasized earlier, the social initiatives taken in this budget were relatively modest. The budget indicated directions rather than comprehensively addressing reform, and future budgets will have to focus on completing the government's mandate on expanding child care, welfare reform, training, worker adjustment, more substantial commitments to co-op housing, assistance to the disabled and on addressing the environmental crisis. There are also, of course, a number of social issues of particular concern to the labour movement, like anti-scab legislation and other labour reforms, that are not budgetary items.

Social programs must be paid for. Although the deficit was absolutely appropriate for the times, expanded programs require more tax revenue. Yet there does seem to be a tax weariness among the population. Does this undermine the government's future programs?

I think not, as long as the issue is put in the broader context. Canadians are generally prepared to pay higher taxes if the benefit of the tax is clear and if the tax load is equitable. For example, polls have made it clear that Canadians would accept a green tax if the revenue was in fact targeted to the environment, and they accept taxation to maintain a viable health system.

Support for social programs could therefore be sustained by actively mobilizing support for these programs, as has been the case for the environment; economic growth and rising real wages to ease the tax burden on otherwise stagnating incomes; including progressive tax reform alongside any expansion of services; eliminating the waste in government, which also undermines the credibility of legitimate programs, through a task force that includes public sector workers. Here, savings could be used to provide expanded services.

Economic development: The budget dealt with the immediate crisis facing Ontario. There were some useful signals regarding economic policy and some supportive investments in infrastructure, but there was no comprehensive economic strategy.

The development of such a strategy does not have to wait for future budgets, though ultimately it will mean major financial investments. Such a strategy would have to address fundamental trade issues—managed trade versus free trade—would have to focus on sectoral strategies, and would have to create funding sources for the policy.

One government proposal for accumulating the necessary funds is through worker-financed venture funds. We want to get a clearer sense of what the government has in mind here, but at this point we are not enamoured of a solution that depends on workers, who are already seeing their incomes squeezed, to transform the economy by investing money they do not have in ventures that bankers and capitalists find too risky.

In discussing provincial industrial strategies, it is critical to address the relationship with the federal government.

The policies that Ottawa has been pursuing are undermining and will continue to undermine anything the province can do.

The issue, I want to emphasize, is not whether the province should have more power to pursue its agenda. We are committed to the vital importance of a strong leading role at the national level. The issue, rather, is the direction Ottawa has chosen. The solution is not the devolution of power to the provinces, but to reverse the destructive policies of the federal government.

Let me conclude. The election did not radically change the nature of power in this province, but the electorate has spoken and the rules have been changed. Business can ignore the new reality and simply work to defeat or sabotage this government, risking that its input will likewise be ignored, or it can attempt to develop a working relationship to address the economic needs of the province.

The problems in our provincial economy were there long before anyone contemplated the NDP would become the government. The well-known weaknesses in our economic structure, such as low levels of research, development and training, are failures of past policies and past and current business practices. The issue today is, what does business have to offer in the way of ideas to reverse this weakness?

What are the positive interventions governments can make to strengthen the economic base? Is there a need for financial assistance or new institutions to provide technical and marketing expertise? Can business itself, with government help, develop partnerships among groups of firms to do research, develop new products or work on specific components and subsystems? Is there a role for an import-replacement office to audit companies in order to assess the potential to buy domestically what is currently being imported and then to find firms or groups of firms that can work to satisfy these opportunities?

This particular budget was only one element of the provincial changes the election of an NDP government will bring. The debates over direction and the pace of change will continue, but it is not good enough, and certainly not constructive, for business and its spokespersons to simply call for less rights for working people, more rights for corporations and cuts in our social standards.

For the labour movement, the starting principle is that the solutions of the society's elite are neither the best nor the only possible direction open to us. We have experienced the false promises and the harsh realities of the Conservative business agenda at home and this direction has been similarly exposed as a failed solution to improving the quality of life in the UK and the United States.

The great strength and potential of democracy is that other alternatives can be developed. As the process of change continues, the labour movement is determined to play an independent but aggressive and positive leadership role in helping to develop alternatives and shape the kind of society Ontario can become.

Mr Jamison: Thank you, Mr White, for taking the time to make the presentation to the committee. I found it very interesting. I would like to touch on a topic you broached in your submission, one that has bothered me up to this point, and again, it is one where the detractors of the budget are indicating that this government should have cut

back in the time of recession. I would like your opinion on that. Furthermore, since you have talked to a wide and diverse range of people in the position that you hold, I wonder if, in talking to any of the business community, they have indicated to you where they would have cut back.

Mr White: I think what we have going on in Ontario today is a debate about whether or not the economic policy this government has adopted in a time of recession is the correct one, or whether the economic policy of slash and cut is the correct one. I think it is a fair debate. We come down on the side that thinks the economic policy as indicated by this budget is in fact the correct one. When you have a program of high interest rates, high dollar, mass job losses and free trade, and unemployment insurance cutbacks and welfare case load increases in the community, you cannot throw those people to the wolves and say "It's survival of the fittest time." You have to have some kind of monetary and fiscal policy, as well as compassionate speeches, which a lot of business people have, but you have to put something there.

A lot of the business community I notice are lining up for large grants for failing businesses, and saying to the government of Ontario: "We need some help to get through this time. We need some help because our business needs modernization. We need some help because of the downturn in the economy." It seems to me that those arguments are just as properly made by people on welfare, unemployment insurance, etc., "We need help." Therefore I think the direction is the correct direction for the government to take. I do not think it is a wrong debate to have, but it is the correct direction.

As I point out in our presentation—we will not have time to pursue it—if you look at the economies that have pursued this sort of cutting at times of great economic difficulties, you will find a vast widening of the gap between the rich and the poor. You will find a lot of people who are struggling through our society, and I think the government has the correct approach.

I think Mr Kwinter said to an earlier presentation "There's no indication that you're going to turn things around." There are some figures that say, if the economic recovery takes place, you are back to almost a \$3-billion deficit, which is where you were when you took over, so I think this is the correct approach. When you have the GST and all these other things, when you have massive unemployment, what do you say to people, "Survive by yourselves; there is no help coming"? I think this is the direction to go.

Mr Sutherland: Mr White, thank you for being here and giving some positive suggestions on what can be done. I wanted to focus specifically on the CAW. Could you give us some estimate of exactly how many CAW members have lost their jobs in the last three years?

Mr White: We are certainly talking well into the thousands because of the significant restructuring going on in the auto industry, caused by free trade and the move to Mexico. You are seeing an enormous change in the auto parts sector. It has just been devastated in Ontario; we have lost thousands and thousands of jobs. In Windsor, the Chatham

the Metro Toronto area, it is auto, but it is all over the place. There is no question our country has gone through a recession; we are going through a massive restructuring which is really part of an economic policy. For our Prime Minister to announce the recession is over—there are a lot of people who do not see much difference today, quite frankly.

Mr Sutherland: In terms of your members, are we talking about members who are losing their homes, that sort of thing?

Mr White: Of course, because of the fact that a lot of auto parts companies, etc., are concentrated in communities in Ontario: places like Collingwood where people have been laid off from auto parts jobs that were not high-paying, but they were getting \$10, \$12 an hour, and now are trying to find jobs in restaurants or motels at less than minimum wage or whatever. Those people cannot keep their families together. I think about the incidence of family violence, the increase in health care costs, people losing their homes—we talk a lot about business bankruptcies, but personal bankruptcies of workers losing their homes have been on the increase dramatically in the last two years.

Mr Hayes: I have talked to presidents of corporations that have closed in Ontario and moved out. The argument they have given me was that free trade, high interest rates, an inflated Canadian dollar and the GST on top of that, made the issues that kept them uncompetitive. You deal with a lot of different corporations. Are you getting this message?

Mr White: There is no question that a lot of the jobs that have been lost in Ontario are because of free trade, the high Canadian dollar, high interest rates. The high Canadian dollar wiped out about 20% competitive advantage for a lot of the Canadian manufacturing sector. No businessmen have ever told me they were leaving Canada because of the deficit or leaving Ontario because of the deficit. In fact, they are leaving because the economic policies of high interest rates and a high Canadian dollar have wiped out an enormous competitive advantage to them here. I think that is very obvious for anybody to see.

When you introduce free trade with a giant, that is bad enough, but then you tie people's hands behind their backs. You even have people like my good friend John Crispo going to the Conservative convention in Toronto and saying, "What we did is shoot ourselves in the foot after free trade because of the economic policies we brought into place in this country." I guess what the Ontario government is trying to do is plug some loopholes, put a finger in the dike. But businesses are not moving because of the deficit.

Mr Kwinter: Mr White, I always enjoy listening to you and I want to thank you for coming. I have a couple of observations about your comments and then I would like to ask you a question. I find there is an absolute antibusiness bias to all your remarks. I think everybody would admit that all the wisdom does not rest on one side. Labour has made some mistakes too. Any objective observer looking at Algoma and de Havilland would see that labour played a role in those problems.

On page 3, you say the new government inherited a \$3-billion deficit. There seems to be a lapse in memory that when the government took over, it was six months into that fiscal period, so it had half the responsibility. The election was in September; the fiscal period ends March 31. When they found the books and the quarterly report in October, there was a \$750-million shortfall. Decisions were made—and you are now trying to pull out one of them, on the SkyDome, to write that off. There was a decision to write down the UTDC exposure, and the government made a conscious decision.

The Treasurer appeared before our committee and I asked him what the deficit was going to be. He said it was going to be \$2.5 billion. About five weeks later he stood in the House and he said it was now going to be \$3.5 billion. That was the government's decision, it was not the previous government's decision, and I think you do everybody a disservice by saying it inherited that deficit. There is no question that there were systemic problems that created it, but it was a government decision to do that.

The other thing I would like to talk about is the gas guzzler tax. You state on page 6 that it was consistent with the government's intention, that it made an adjustment. The intention and the rationale—I was the one who raised it on day one. I have to say in all modesty that I was the one who pushed the government to do something about that gas guzzler tax. You were in favour of the budget, and it was only after your members started to give you some flak that you put pressure on the government to change it. That tax was hailed as an environmental issue and that is why it was there. When they restructured it, it became a tax revenue measure, because they put the tax on virtually every single car in Ontario, with very few exceptions.

Those are just some of the comments, but there is one question that I would love to get your response to. I attended the World Economic Forum in Davos and I was on a panel with the American undersecretary of commerce and the chief of staff of the President of Mexico, discussing the North American free trade agreement. The chief of staff of Mexico, Mr Cordoba, stated that by the year 2000 they would be building 4.5 million cars a year in Mexico. I met with the president of General Motors and he tells me he has four engine plants, one in St Catharines, two in the United States and one in Mexico. The most productive, most efficient and highest quality engine they turn out is being turned out in Mexico.

Interjections.

Mr Kwinter: This is his statement. Do not give me a tough time. I am telling you what he told me. I am just asking for your comment. How do you and the auto workers respond to that? I am not being judgemental, I am just repeating what he told me. I am not saying I believe it or I do not believe it. I just want to get your response.

Mr White: Let me try to deal with some of the comments you made. First of all, let me put the de Havilland thing in perspective. I just talked to somebody who is in de Havilland. Boeing will tell you that 80% of de Havilland's problems have nothing to do with labour, they have to do

with the organization and management. I cannot speak to Algoma.

Our brief is not antibusiness. The reaction of the business community to this government and to this budget has been terrible. It has been vitriolic, it has been unnecessary and terrible, and I for one in this province am not going to sit quietly and take no position on that. Quite frankly, it has much more to do with stopping an agenda. We are not antibusiness. I deal with business people every day of my life, but I am going to speak up on behalf of working people whether the business community likes it or not. It does not matter to me, quite frankly.

You raise the SkyDome issue. What you ignore is that your government signed cheques for up to \$565 million to go into the SkyDome. You talk about fiscal planning and budgetary restraint. We are trying to solve the problem. When you talk about UTDC, those are things we talked about. When a business is in trouble, people have made those kinds of decisions. So those things are bound to happen. We are not talking about being antibusiness. We sit down and work out business decisions all the time. Chrysler Corp in the United States has made a decision to invest most of its North American car production in the Bramalea plant. They have decided they will put three shifts on in the Windsor plant when necessary to build mini-vans, the best mini-vans they build in the world. Those were decisions made by business people whom we deal with every day.

Let me get to your question about the North American auto industry. One of our great concerns, of course, is that under the Canada-US free trade agreement, we gave up an important part of the North American auto industry in terms of protection for Canada by giving up the Canadian content requirement. Now we are into a North American content deal.

Of course, the concern for us in the future is that Mexico is a place to which the next wave of auto investment can go. It is not just a question of quality, it is a question of cost structures in Mexico, and we have to be concerned about that. But what is our government doing today? It is saying the auto pact is not going to be on the table, when in fact we know it is. You are not going to sit down and work out a free trade agreement with Mexico without discussing autos. I had a meeting with the President of Mexico when he was in Ottawa. He asked for a meeting with me and I went and met with him. So our concern is how we address this auto thing within the Canada-US-Mexico discussions. It seems to me the best way we have to get at it, but nobody seems to be listening, is to get back to some kind of requirement for Canada in terms of investment and content for the United States and for Mexico.

The facts are that those kinds of discussions are on and businesses are making those kinds of decisions. I do not think it is good enough just for business to say, "We're going to take our employment from Canada and put it into Mexico because we can make more money." Where is the commitment of the business community to this country? It is not happening in Germany. The West Germans are not taking investment out of West Germany and putting into

East Germany, they are putting investment into East Germany and keeping the jobs in West Germany as well.

Mr Carr: I want to say, just off the bat, that I think even though all three parties would disagree with you on some issues, there is a tremendous amount of respect for you personally. I want to thank you for coming here today. In fact, I agree, I think the Liberals were bad managers, well, so we are agreed on one thing.

I had our friends in legislative research—independent research. I might add, because they do not work for any of the political parties—put together a cost of what the debt will be. As you know, at the end of the mandate we will be spending about \$7.8 billion just on interest alone. That is not for health care, the environment or any of these other programs; it is just to pay the interest. That works out to \$583 million a month, \$134 million a week, \$19 million a day, or \$800,000 per hour. In fact, I have five minutes to talk to you here in my questioning, and during that period of time the interest on the provincial debt alone will be \$65,000, which is more than your average worker makes in an hour and in the amount of time it takes—this is a one-minute sand clock—we will spend \$13,000 just on the interest alone.

I was wondering what your feeling is with the average person out there, who says that is a total waste of money to pay just interest on the debt alone of \$13,000 a minute.

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Mr White: You cannot ask a person, "What would you think of spending \$13,000 a minute on interest?" You have to ask him what is the alternative. With great respect, the best we can do is make an argument on the difference between what the deficit would have been if they had done nothing and what they did in terms of the extra programs. So the deficit has gone up to about \$1.3 billion.

A lot depends on interest rates. When the Tories were running around this country talking about a deficit, they kept backing up John Crow on interest rates and the deficit was going higher because of interest rates. A great deal depends on the interest rate, and you have to look at what it is going to be in terms of economic recovery.

What I do not understand is business communities making major long-term investments and going out on a limb with the hope of getting a return. If you take the aerospace industry, for example, that Mr Kwinter raised, Boeing will make an investment of probably a billion dollars or more investment to get in place a 747, much more than a billion dollars, and go into debt to get it. It will take 10 years to get the return on that because it takes a long time to get that into production and start to sell the plane and start to get them back. That is how the business community does it every day. Some of them fail. The Dofasco investment in Sault Ste Marie where they wiped off \$100 million—they are the same business people who are lecturing the Ontario government about fiscal responsibility.

You have to put the deficit into perspective. If you say to people "Is this bad?" they might say yes. You say: "Is it better to cut back on health care costs? Is it better to cut back on welfare?" They will say "No, there has to be some other choices." So I guess the question is, what are the choices?

Mr Carr: We all are aware of the interest rates, because in fact in the early 1980s I had to renew my mortgage when Mr Trudeau was in power—21%. Many people live in their homes there, and people like even Robert Trudeau, who has gone out on a limb, knows about interest rates and what happens when you overextend yourself. That is what we are saying is the government did the same thing. My next question relates to the commitment made by the government. I guess a lot of people would say if the government said it was going to do this last year in the middle of the election campaign—I have the Agenda for People, where it talks about what it was going to spend in terms of money and what it said to the people, notwithstanding the fact that it got only 38% and 25% of the vote from people who actually were eligible to vote. But people say, "They won the election, they can do whatever they want." Their costs, they said, were going to be net \$1.8 billion over two years. Then we ended up, of course, that over two years we are going to have an \$18-billion deficit. What do you say to people who said, "If you were going to do this last year at this time, you should have had the political courage to say that you were going to do it?" Well, really all that you did was say one thing during an election campaign and then, whammo, we ended up with an \$18-billion deficit instead of the \$1.842 billion that you had in the Agenda for People, which I have in front of me. What do you say to people who say you should have done that last year at this time that this is what you were going to do to us?

Mr White: You have to put in perspective what they are entitled, with great respect to Mr Kwinter, as to what the economy looked like and what the numbers were. The government has to defend itself, and I guess that is what it is attempting to do in terms of what its program is. I think the Treasurer of Ontario has been very up front in terms of what the problems are. He did not try to hide the deficit from some other governments have done. He said, "This is the problem and this is what we are trying to do." I guess the people in the next election will make their determination as to whether this is the appropriate way to go or not.

The Chair: I would like to thank you, Mr White, for your presentation.

ONTARIO SECONDARY SCHOOL TEACHERS' FEDERATION

The Chair: Would the Ontario Secondary School Teachers' Federation, Mike Walsh, come forward. I would like to welcome you here to the standing committee on finance and economic affairs, and the budget review. You are from the Ontario Secondary School Teachers' Federation and you have one half-hour to make your presentation. At the end of your presentation, within that one half-hour, try to save some time for questions and answers. If you would identify yourself for the purposes of Hansard.

Mr Walsh: My name is Mike Walsh, and I am the president of District 1, Windsor, Ontario Secondary School Teachers' Federation. With me is Tom Henderson, the district treasurer of the same organization. Tom is going to

begin our presentation, and we will certainly be within the time limits and hopefully leave plenty of time for questions.

Mr Henderson: Sixty years ago the cold-hearted policies of Prime Minister Bennett in Canada and President Hoover in the United States squeezed the poor and less fortunate, all in the name of fiscal responsibility. Unfortunately for most of us, the government of Canada has copied a page from their book. But on behalf of the members of the Ontario Secondary School Teachers' Federation in Windsor, we applaud the Treasurer of Ontario for taking a different path from the federal Tories and other provincial governments by not slashing back in these times of recession.

We are aware that criticism of any provincial budget is an integral part of the political process, but both the Envoies and Insight Canada polls taken since last September indicate public support for social spending. We believe that a fair test of any society is how it treats its most unfortunate citizens, and we are troubled by what happens when the federal government decides to walk away from the support programs.

The Ontario government has dared to be different by striking a balance between fiscal responsibility and caring for people. By cutting payments to hospitals and other agencies, the NDP would have shown the same meanness of spirit that the feds aptly demonstrated when they trimmed back \$1.6 billion over two years in transfer payments to the province of Ontario.

With regard to downloading of costs on municipalities and counties, needless to say our federation has always been opposed to it. Previous provincial governments have unfortunately made this a common practice. This budget, however, increased provincial grants to school boards and our own Windsor Board of Education did very well as a result of the increased grants. Locally, the education mill rate was pegged at 3.8% for public school ratepayers, which was the lowest in many years. The higher grants provided improvements to school buildings and school grounds and we are happy to report that no classrooms or programs were closed because of lack of money.

However, we would ask the government certain things. The first recommendation is that we realize that costs go up when efficiency goes down. In a 1985 Decima poll, 78% of Ontario residents supported unified school boards between separate and public. These unified school boards, we think, offer a solution to costly duplication of services which a double school system brings with it.

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Mr Walsh: Education costs are borne primarily by local taxation. In 1975 the province of Ontario paid 60% of the actual costs of education. By 1986 the provincial share had fallen to 34% and has been dropping ever since. The government should restore the provincial share to the 1975 levels. This budget does not restore to the 60% level, last achieved in 1975.

The 1986 Macdonald Commission on the Financing of Elementary and Secondary Education reported to the last government that we recommend a higher rate of provincial support, such as a co-ordinated move towards 60% of the approved costs in the near future. Macdonald also

recommended that provincial grant ceilings should be set at a realistic level, keeping pace with inflation, and "additional provincial grants should accompany any upward adjustment in the ceilings." We still wait for the full implementation of this recommendation.

Macdonald did recommend the pooling of commercial and industrial assessments and this is being implemented, but his suggestion that coterminous boards develop co-operative service units has seen little development. The OSSTF's proposal of a unified umbrella board promises to save Ontario taxpayers millions of dollars if it is implemented. The savings would come from reduced administration costs and reduced capital requirements. We suggest that this be vigorously pursued in the future.

It is clear in Windsor that the government's anti-recession capital grants, which have meant \$2.5 million to the Windsor public board, will bring direct benefit to a large number of Windsor schools. The money is to be used for roofing a number of school buildings, both elementary and secondary, and replacement of furnaces and the like. These improvements will also have spin-offs for local construction companies and their employees. As you all know, Windsor's economy is in very poor shape and any help is clearly needed.

We also applaud the allocation of funds for pay equity. We represent a group of English-as-a-second-language instructors employed by the Windsor board. They are almost exclusively women. They are trained as teachers. They work as full-time teachers, but they are paid, for full-time work, between \$16,000 and \$18,000 a year. We are hopeful that this group will directly benefit from pay equity adjustments.

We are certain of wide public support for the budget's anti-recession strategy, an effort that will strengthen our province over the long term. If some critics are too narrow-minded to see the far-reaching dividends of this approach, then the government will have to carry on despite their opposition and threats.

Mrs Sullivan: I was interested in your brief, and I know there have been some issues on the philosophical side of the delivery of education that are problematic. But I want to go back to the time when the Minister of Education, having come out of the election campaign with a promise of 60% operating transfers to local levels, came before our committee and indicated that the promise she had made publicly for 60% operating included teachers' pensions. It included all capital, it included ceilings on expenditure and it included operating. I want to know if that was your understanding of what the New Democratic Party's promise was in relationship to 60% of funding.

Mr Walsh: Our understanding of return to 60% funding did not include payments for teacher pensions because those payments were not included in the original 60% rate in 1975. So to this point, that promise has not been achieved.

Mrs Sullivan: The operating transfers have decreased.

Mr Walsh: That is not information I have, but it may be so. When we compare the response of this government to the funding of education with the responses of every other provincial government in the country, we can only get a

sense of relief that it has not implemented the kind of savagery on education budgets that the other provinces have.

In our presentation to you, I think I made it clear we still believe that a 60% level of funding is something that ought to be achieved because that should be borne by the provincial level of government and a smaller proportion should be on the backs of the local taxpayers. But at least this budget has led in Windsor to a mill rate increase of 3.8%, as my colleague indicated.

We have a group of trustees on our board who are of the tax revolt group and it is pretty hard for them to be excited about that measure of increase, which is below the level of inflation. I think this is to the credit of the government in the grants that have come forward to our board.

In the long term, however, I would like to say again that the 60% level is something that we hope this government lives up to its promise on over the term of this government, perhaps in happier economic times a year or two down the road.

Mrs Sullivan: And that 60% is not to include teacher pension funding.

Mr Walsh: That is correct.

Mr Solá: I would like to go back to what Bob Walsh had to say in the previous delegation, because your presentation seemed to be similar to his. He stated budgets about choices, about who will benefit and who will pay. It seems to me this budget has avoided the choices, because they have pinpointed who will benefit and they have allocated the benefits, but they have ignored the other side of the equation about who will pay.

You have yourself mentioned in your statement that there is an anti-tax group here, a tax-fighting group. The one thing I have noticed both during the election and especially since, that taxation seems to be the number one priority of practically every member of the public in my riding at most of the functions I attend. How do you address the fact that the people who pay the tab have been ignored by this budget?

Mr Walsh: In reference to the tax revolt at the local level, I think it is reflective of anger at the amount that is paid by local taxpayers through home ownership taxes through paying rates on businesses and properties. I think this needs to be addressed and I think I commented on that on the last question.

As far as the tax revolt generally is concerned, it would be my suggestion to you that the thing that struck the nerve on taxes more than anything else is the GST. The GST has just sent people into orbit. I have heard a number of people talk about Americans coming over to Windsor and picking up the bill for their being in a restaurant. They usually want to pay their 15% gratuity, unlike many of us Canadians, then on top of that is the provincial sales tax and on top of that is the GST. They just make statements like "We're not coming here again." It is amazing the number of conversations just this week among friends I have heard this from. I think it is the GST that has really caused a lot of the anger you see out there on taxes.

It is quite clear that at some point in the future all of us are going to have to pay for any deficits that are rung

But I think Mr White answered the question very fully and clearly when he said that any major corporation makes major investments on the basis that at some time in the future it is going to reap the rewards from that. Going into a deficit now at a time when the economy is in a recession—what else can a responsible government do?

Mr McLean: In your remarks with regard to the extra funding for the separate school system, I believe you indicated it would be better with one school system. Would I be correct in saying that you had kind of intimated that in your remarks?

Mr Walsh: Actually, you reflect on my personal belief, that is not the position we are putting forward. We are putting forward the concept of an umbrella unified school board where you would still have elected separate school trustees, elected public school trustees, but you would not have the sort of situation we have in Ontario now where we have an administration structure for each of those school boards. We have support services for those school boards, transport services for those school boards.

Mr McLean: Under the British North America Act under the Constitution that we have here in Canada today, that Constitution says there shall be two fully funded school systems, a Roman Catholic system and a Protestant school system. How do you expect the government of Ontario or anywhere in Canada to change its funding system when that is in the Constitution?

Mr Walsh: We are not asking for the Constitution to be breached and we are not asking for the separate schools to be funded. Those decisions were made in the wisdom of the electorate and it was an all-party decision, so we are not asking for that to change. All we are suggesting to the government is that there is a good deal of duplication and waste because there is not more co-ordination of the activities of school boards. All taxpayers, I believe, would support the efforts made in that direction without breaching the British North America Act.

I do not think it is a Protestant school system, is it?

Mr McLean: That is what the Constitution reads.

The 60% funding for schools, which has been mentioned earlier, was a commitment that was made. As a matter of fact, a year ago today the Agenda for People was published and it became a public document where they were berating the Liberals for not keeping their promise of 60%. Today, I understand that the percentage has gone down even from that it was when they took power. What are you saying to the government today with regard to the funding?

Mr Walsh: I thought I was pretty clear in my presentation and in response to an earlier question when I said we all expect this government to honour its commitment to the 60% level, and in the definitions we discussed when Mr Sullivan was questioning me. We expect that commitment to the 60% level to be lived up to during the life of this government. We understand that in the present economic climate they have probably done as well as we could have expected, and we thank them for not cutting it back even further, but over the long term, we want to see the 60% lived up to.

Mr McLean: Last Thursday the OSSTF in Toronto made a presentation to us. They indicated very strongly they support the budget and they blame business for not paying its fair share. Do you have those same views?

Mr Walsh: I was not privy to the remarks they made in that regard. I think the whole tax system does need to be looked at. I would not want to be sharing that sentiment without seeing very clearly what it is that they said, so the answer, I guess, is no at this point.

Mr McLean: That is your own personal observation.

Mr Walsh: Yes.

Mr Dadamo: Mr Walsh and Mr Henderson, thank you for appearing before the committee here this morning in Windsor. I want to make a couple of observations, then I will lead us into the question I want to ask either one of you.

First of all, the Prime Minister of this country has designed a grant scheme to withhold about \$1.8 billion in transfer payments to Ontario, and most of that money, we know, was earmarked towards education and health. The social programs have to continue. We obviously have had to go to the taxpayers of the province to make up that \$1.8 billion.

I also want to say that the past Liberal government left this province in a virtual fiscal mess. They said there was a surplus during the election last year; we found, of course, a massive deficit.

What I would like to ask is, how can this current government best help your organization to fulfil your mandate?

Mr Walsh: In relation to the cutback in the transfer payments from the federal government, actually it has grown. In our presentation it was only \$1.6 billion, you said \$1.8 billion, but whichever, it is a major cutback in support for the social fabric of our society. I think I made and my colleague made remarks which covered that.

I would say at this point in time the government has not lived up to its 60% promise, but we understand that it has not because of the circumstances that it has been placed in, circumstances that clearly were not foreseen by the present government or by the Liberal government prior to this, because certainly during the election the Liberals were indicating that the province was in surplus, and it did turn around very dramatically, too dramatically for your government to have had any impact on it. Speaking for our organization, I would say the budget does as well as we could have expected in the present economic circumstances.

Mr B. Ward: I am pleased to see that you support the direction our government is taking. We have been up north, Thunder Bay, Sault Ste Marie, Sudbury, and we have heard from a broad cross-section of the communities in the north. By and large, I have to say there is strong support for the direction our government is taking, particularly with this budget. Whether they are social groups, whether they are environmental groups, whether they are small business people, whether they are educational groups, across the board there is strong support for the direction we are taking. However, there are some critics for this budget.

Mrs Sullivan: Come on, come on.

Mr B. Ward: Primarily the critics are attacking the deficit and are suggesting that we should be cutting back

on our social programs, on our educational standards, on our commitment to providing quality education for the people of Ontario—

Mrs Sullivan: You have all heard those arguments. Point of order, Mr Chairman.

Mr B. Ward: How do you answer that criticism that we should be cutting our educational standards, our educational system, which is the prosperity through the future?

The Vice-Chair: Mrs Sullivan.

Mrs Sullivan: I have a point of order, Mr Chairman: The member is providing information to witnesses and to the public here that in fact does not reflect much of what we have heard through the province in our hearings so far. I think that, to be fair, if we are going to proceed in these hearings, which in fact have been less than successful throughout our tour, we should at least be honest with the people who are appearing before us.

The Vice-Chair: Mrs Sullivan, that is not a point of order. Mr Ward, your question?

Mr B. Ward: My question is, what answer would you have to the critics who would like to see a more balanced budget? In fact to achieve that balanced budget, suggestions have been made to cut our education standards and the quality of education which is supplied in this province that we tried to maintain during these tough economic times.

Mrs Sullivan: Point of order, Mr Chairman: Not one person has made those suggestions.

The Vice-Chair: Mrs Sullivan, that is not a point of order, that is a point of information. Mr Ward, you have asked your question. Could we have a response from the presenters, please.

Mr Walsh: Clearly, one of the things that seems to be at the top of the public agenda, it is in the media all the time, is the competitiveness of the Ontario, indeed the Canadian economy with respect to the rest of the world. We hear a lot about a lot of pressure to become a much lower-wage economy so that we can become competitive with the Mexicans and so on and so forth.

I suggest to you that is a model your government should indeed resist, and I believe in this budget has resisted, because the approach we should be following is one that I think is modelled better by some of the Western European countries, which is to remain high-wage economies for the people working in those countries and to have economic success on the basis of a competitiveness which is driven by technology and by higher productivity. The only way I know that you can achieve that is through investment in education. There is no better investment. There is no better way to spend your money.

I think at the same time that we need to be careful. We can spend a lot of money on education and not become more competitive and not get leadership in technology, so we need to spend carefully and we need to evaluate closely how we are spending the money, but there is no better investment.

The Chair: I would like to thank you for your presentation and for appearing before this committee.

AIDS COMMITTEE OF WINDSOR

The Chair: The next presenter is the AIDS Committee of Windsor. Please come forward. I welcome you to standing committee on finance and economic affairs on budget review. I see that you have a presentation. You have a total of one half-hour for your presentation. In that half hour, try to keep some time for questions and answers from the three parties here. If you would identify yourself for the purposes of Hansard, you can begin your presentation.

Mr Lough: My name is Steve Lough. I am the executive director of the AIDS Committee of Windsor.

From the viewpoint of the community-based AIDS education and support movement, the 1991 Ontario budget is a progressive response to the challenges facing this province. This period of serious recession and the epidemic of HIV infection necessitate increased, well-planned government spending to avoid stalling the important developments in our society.

As I see it, there are basically two options open to government if it wants to cut its spending: it can cut spending in corporate or capital support, or it can cut spending in social support. As we are told every day, competition is fierce. Capital today is international, and it moves quickly if it finds a better home. So if a government does not want to scare away capital, it can only cut social programs. Unfortunately, cutting spending on social support is the simplest solution, and, like all simple solutions, it is near-sighted and doomed in the long term to failure.

The central elements of a community-based response to AIDS are the building of individual self-esteem and creation of co-operative and comprehensive structures rooted in the communities affected. Individual self-esteem is a prerequisite to an individual avoiding risky behavior and taking responsibility for his own health. Government programs of legal, health and social support are vital to the creation of an environment in which people have the value as a human being recognized and supported by major structures around them.

Cost-efficient and effective health care and social programs can only be achieved through comprehensive and co-ordinated action. It is the role of the government to provide the resources and facilitate that co-ordination. The government follows through with its commitment, stated in the budget, to build partnerships, the answers to the problem of burgeoning health and social service costs will be found in the community by the people who are directly affected and involved.

The fact that the government chose to fight the recession rather than fight the deficit with its 1991 budget is a progressive move that will, in the long term, save lives and bring a higher quality of life to the citizens of Ontario. The response will only be cost-efficient and effective if the community is supported in developing the programs that are necessary.

To expand a little bit on the importance of individual self-esteem in terms of primary prevention of HIV infection in the 10 years since the discovery of the human immunodeficiency virus—HIV—several strategies for stopping the spread of HIV have been advocated and attempted around the world. Legal sanctions, quarantine, mandatory testing and restrictions on immigration have all been proven to

fective and costly responses. They have been ineffective because they have attacked and blamed the communities affected by this pandemic rather than working with them. National advertising campaigns have not been cost-efficient because they are remote and do not involve people directly in taking responsibility for their behaviour and assist them in changing that behaviour. Behaviour change is the only way that the spread of HIV can be reduced.

Experts now agree that education must be targeted and must involve the group the program is attempting to reach. These communities that have been hit first and the hardest by HIV infection in North America have been social outcasts: the gay community and injection drug users. The community of people with haemophilia too suffers from stigma of rejection and the resultant secrecy. Social and legal support for these individuals and the development of their communities is necessary if we hope to gain their involvement in prevention efforts to stop the spread of HIV. If one does not belong to a socially and legally recognized and accepted community, it is unlikely that the person will see society's prevention messages as legitimate. If, however, one is accepted legally, supported socially and invited to share his expertise and involvement to the issue, behaviour change is more likely.

It is also recognized that there is a hierarchy of needs for an individual. One is not likely to change years of learned behaviour in sexual expression, substance use or social interaction if basic needs for food, shelter and employment have not been met, nor can one successfully overcome years of social and economic abandonment if the world around one does not support that struggle. Civil rights, social assistance programs and low-cost housing are requisites to successful AIDS education. These programs have a direct impact on HIV prevention programs. The social environment must be there for prevention messages to be integrated into people's behaviour.

Secondary AIDS prevention: We now know that not all people who are HIV-positive go on to develop AIDS, and those who do progress to AIDS at different rates and in different circumstances. A key to preventing the onset of AIDS after HIV infection is, again, behaviour change. Changes in lifestyle, such as nutrition, exercise and stress reduction are resulting in growing numbers of people living without AIDS/HIV infection. Access to experimental drugs and complementary therapies are also vital to this process.

Again, though, we run into the wall of economic poverty and social abandonment. Social assistance levels are too low for an individual to even afford nutritional supplements, let alone decent housing and complementary therapies. Active involvement of individuals in taking control of their health is impeded by the demands of everyday life with no discretionary income. How can one confidently investigate and evaluate new treatments that are government-funded when rent is not paid and there is little food in the house? When good nutrition costs more. How can one participate in the alternatives to what is now government-supported? Where does the self-confidence come from to challenge the established hierarchical medical system that now exists?

Again, discrimination and lack of legal and social recognition for the communities most affected by HIV/AIDS is

impeding the successful management of AIDS/HIV infection. In Windsor, as in many other cities across Canada, gay-bashing is increasing, with little or no response from governments and their law enforcement agencies. All people with AIDS/HIV infection suffer indirectly from the lack of social, legal and political support for these minorities. The advantages of early detection of HIV infection and intervention with preventive therapy for AIDS are lost in many cases because individuals will not come forward for fear of disclosure and social and economic ostracism.

Leadership in implementing strategies for the management of AIDS/HIV infection have come from the community groups across the continent who have worked together. Combination drug therapy, the importance of complementary therapies and reform of drug trial and approval structures have all come from the communities most affected by AIDS/HIV. These and other improvements have repercussions for progress on many health and social issues.

In conclusion, how can the government overcome this myriad of forces operating in Ontario? The answer is in building community. The government, as the ultimate representative of the community of Ontario, has a responsibility in this process. Recognition and support for initiatives that come out of a community affected by an issue are the key to solving problems in that area of the community. It is now increasingly recognized that the government cannot carry out community-based programs. It must provide the resources and co-ordination to ensure that all affected parties are involved in initiating and implementing programs.

Two years ago in Windsor a group of affected local organizations submitted a proposal for an AIDS/HIV outpatient clinic. The previous government sat on that application for a year without any further consultation. Then when the ministry did begin negotiations, the primary question was, "What is the role of this committee who submitted the proposal?" For some time they did not recognize that a coalition of the involved communities would build a better clinic than medical experts in one institution alone. The present government, to its credit, recognized and funded the clinic. This is the first and, I believe, only AIDS/HIV clinic in the country that has the active participation of all the major stakeholders in the community.

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Now there is the possibility of co-ordinated and comprehensive programs of care and support with maximum volunteer contribution and no duplication of service. Should the government slash its spending in support of community initiatives such as this, an important opportunity to develop an alternative to the present health care structure would be lost, and it would be a long time before it could enlist the support and co-operation of the community to build effective alternative programs.

A successful response to AIDS and HIV infection must address education, counselling, practical support, research, drug approval and funding, social assistance, housing, civil rights, drug addiction, violence, acute and chronic care, complementary therapies and hospice services. The community-based AIDS/HIV movement has proposed innovative and comprehensive strategies but does not have the resources or the power to implement these without government approval.

and support. If the standing committee is concerned about the deficit, I suggest you look to the community for the answer and not abandon the community by taking the simple path and cutting programs.

I apologize for some of the typos in the presentation.

Mr Carr: Thank you very much for that presentation. One of the concerns that has been voiced is that presently—and I think that is an indication about what the perception is out there and I mentioned it earlier—about 77% of the people, close to 80% if you include the people who voted for all three parties, believe there is a tremendous amount of waste in government, in particular when it comes to the health care field. There has been talk of some of the abuses. You may know that the former Health minister, Evelyn Gigantes, had to resign when she mentioned somebody's name, and that person was spending, I believe the figure was, \$438,000 for drug treatment, close to half a million dollars.

As you well know, the health care field has been the biggest-growing expenditure over the last few years. Do you believe there are areas where we can control spending in the health care field? If so, maybe you can just give us an indication of some of the areas where you would like to see us, for the want of a better word, spending a little bit smarter.

Mr Lough: As I said in my presentation, I think a little more effective use of the dollars could come from consultation and involvement of the communities. To use an example that came up earlier this year at the national conference on AIDS, which was the first national conference in three years, I attended a workshop on clinical trials and to my horror found out that they were still arguing over open arms to clinical trials.

Approximately two years ago there was a meeting held in London where the researchers and institutions had apparently agreed to try open arms to clinical trials. By the way, for those of you who do not know, open arms to clinical trials means an individual can have access to an experimental drug outside of the restrictions of a clinical trial, and very many experimental drugs are only available through clinical trials.

The same old argument was being made that if people were allowed the drug outside of a clinical trial, then the trial researchers would not be able to recruit the number of people who were necessary to carry out the strictly scientific clinical trial. Well, this had been proven false. In Toronto, a clinical trial was organized where the community was involved, where the people were given full information, where their representative organizations were involved in the design of the trial and there was an open arm. They had more recruits than they could use.

Yet these other trials that are going on do not have that kind of community involvement and therefore are not even fulfilling as effectively their original scientific mandate because they are not able to recruit as many people, nor do they get input from the people directly affected in the design of the clinical trial.

I do not have a simple answer as to what you could cut from the budget and what you could not, but I think you will find that if the principle of community involvement is instituted across the board, then the cheaper alternatives will present themselves. I use that as one example.

Mr Carr: As you know, in fact it is in these polls that people in Ontario, which is the highest-taxed province in Canada and the highest-taxed jurisdiction in North America, are saying, "We're overtaxed, and that includes all taxes. That includes municipal, provincial sales tax and federal GST." People are saying: "We're fed up with taxes at all levels and from all politicians." Then we have hundreds of groups coming through and saying, "We need more money for our particular group," and so on. Of course, that is a difficulty.

You have the average Joe out there who says, and I agree with him, "These deficits just mean that somewhere down the road I'm going to have to pay more taxes, already I'm paying too much taxes versus the rest of the country and the rest of North America." What do you say to those people when you come before a committee and say, "We need more money"? How do you alleviate some of the fears of the people out there who are saying, "Your cause is very worth while"—and I think most of them will come here definitely are—"but there is no money out there for us to give as taxpayers"?

Mr Lough: I look at it in two ways. What I am seeing from the polls that are being conducted is that people are strongly in support of the medicare system we have. They strongly support the medicare system we have and so any serious cuts to that are not going to meet with the approval of the population.

In terms of taxes, I go back to my basic university economics. I personally believe in Keynesian economics as opposed to the monetarist policies that have been instituted in the last decade. So it does not in the least bother me, as a taxpayer, that we have a deficit during a time of serious recession. That makes sense. That is what the whole Keynesian theory was based on, that you spend during the time of a recession and then you recoup that loss during periods of recovery.

What I am concerned about is that if cuts are made now in areas such as health care, where some cost-effective alternatives are being developed, then the opportunity for those alternatives to be instituted in the future is lost. It will be another 10 years and into another recession before those alternatives are recognized again, and again we will not have any money to institute them. So I think it is important to stick with the process that is developing in the community, the alternatives to the expensive health care that we have now. More cost-efficient alternatives are being built in the community. We will cut those programs at our peril. When we get to the good times we will not have the community base nor the alternatives that we have tried to implement.

Mr Sutherland: Thank you for being here. I believe you are going to be the only AIDS committee group that is going to be hearing from during these budget hearings and I think it is important that we do hear from the AIDS committees dealing with this issue.

It seemed to me the message you wanted to get across is that not only in terms of dealing with AIDS services but in health care services in general, you see the government's role becoming more of a provider of resources and a facilitator.

that the community-based organizations actually will be ones operating. That is what you are seeing as a future model and, if I gather from your comments correctly, a model that should already be in process, that it be the model for delivery of certain services and certain health services.

Mr Lough: Yes, I think some examples are already arising, both within the AIDS movement and in other organizations as well. Community-based alternatives have entered themselves and they are less expensive than a government-operated program. What I fear is that cuts generally mean that the organizations outside of government are the first to be cut. We see that at the municipal level. Recently, the city's budget support to outside groups dropped substantially. I worry that the Ontario government would have to go the same route.

Mr Sutherland: I was wondering if you could give us some sense, from your perspective as the executive director of the local AIDS committee, of how you feel the provincial government is doing on the issue of AIDS—I am not talking so much in terms of ours versus the last but in the generic sense of provincial government—and what advice you might give the committee in terms of recommendations for the next budget in dealing with the issue of AIDS.

Mr Lough: I think the announcement a few months ago by the Minister of Health to institute anonymous testing was a very important initiative. The community-based movement has been saying for a long time that people are only going to come forward under anonymous testing. We know that as well as anyone here in Windsor, because anonymous testing is available in Detroit and people go there in large numbers for testing. Therefore, our statistics mean virtually nothing in terms of HIV infection in this area.

One thing I would like to see the provincial government do, and this is something it inherited from the previous government again, has to do with the Ontario AIDS Advisory Committee. There is no representation of people with HIV on the Ontario AIDS Advisory Committee. When it was originally set up by the Minister of Health under the Liberal government, there were only three community-based representatives out of 16 or 18 people involved in the committee. I do not think this is adequate community representation. If we want to build alternatives to health care, the people who are building the alternatives to the community have to be represented. That would be a piece of advice, for what it is worth, that I would pass to the present government.

In terms of the next budget, I think moving ahead with social assistance reform is important. Some changes in social assistance that would allow people with HIV infection to work and claim some kind of social assistance would be a lot more practical. Right now, people with HIV infection are forced really to go on disability benefits because the process is so complicated and lengthy to get on to benefits that they cannot afford not to be on benefits. If they were able to go to work and face periods of illness, because HIV disease is a very up-and-down syndrome, are feeling well one working and a period of illness comes along, bang, they

are out of work and it is months before they can then get back on adequate social assistance. So I think some reform of social assistance is necessary as well.

Mrs Sullivan: I wonder if you could just describe for the committee something more of your own operation. How much do you receive in capital funding and in operating funding from the province on an annual basis, and how many people do you serve?

Mr Lough: In the last year we received \$7,000 in capital funding. In operating funding we received \$201,000. The province funds four staff people. With that money we get a little from the federal government and the Ontario Trillium Foundation and some private sector fund-raising.

We have a broad range of education and support service programs, including a speakers' bureau, a resource centre and a resource database of treatment information and AIDS education and prevention materials. We have information tables at various events, go out to the schools and such and various community groups, speaking about the issue. We have support service programs and a buddy system, which is common among a lot of community-based groups, to match volunteers with people with HIV for practical and emotional support. We have emergency financial assistance that is funded exclusively from private donations. We also have support groups for people with HIV and for care givers. We have a seminar program for health care workers and research mailings out to physicians who are treating people with HIV that contain the latest treatment information. We have also a series of seminars for people with HIV infection on how to handle the issues that arise in HIV infection.

Mrs Sullivan: Is there a group home in Windsor for AIDS patients?

Mr Lough: We did have a house, in co-operation with the Windsor Housing Authority, which we had to close, mainly due to lack of funding for staff.

Mrs Sullivan: I want to really move on, because one of the things the government has done in terms of health care is to move very strongly away from the long-term care proposals which were on the table and which were being implemented by the previous government. It seems to me the long-term care aspect for AIDS patient is a singularly important part of caring for your own clients. I wonder what emphasis you put on insisting that the government move back into that long-term care program so that there is an integrated approach to long-term care for people, no matter what their illness is.

Mr Lough: Well, I am no fan of the long-term care process that was instituted here in Windsor and Essex county. I agree with you that long-term care is an essential element of support for people with HIV and a proper response to the disease. We had a proposal in to the long-term care committee. The process was very secretive. It was not consultative and had no element of negotiation involved. I can say the community-based AIDS education and support program of the Ministry of Health was miles ahead of the long-term care initiative, which was supposed

to put things back in the hands of the community, as I understand it.

With both the federal and provincial programs, it has been a very interactive process. We have worked with the ministry people, we have negotiated, we have developed programs together. That long-term care initiative was not carried out that way at all, so I am not surprised the new government has put that on hold.

Mrs Sullivan: The long-term care program was to integrate community-based care in an attempt to move people out of the institutional base and to deliver services in their homes. That has been completely put on hold.

Mr Lough: As I was saying, I do not disagree with the principle of the long-term care initiative, but the way it was being carried out, I believe, needed to be put on hold. I do not think it was an effective or fair process.

The Chair: I would like to thank you for appearing before the standing committee on finance and economic affairs on the budget review.

GORDON CHRISJOHN

The Chair: I am going to call on Gordon Chrisjohn. I would like to welcome you here to the standing committee on finance and economic on the budget review. You will have one half-hour for your presentation and you could leave some time at the end of your presentation for questions and answers which will be divided equally among the three parties. For the purposes of Hansard, would you please identify yourself. You may begin your presentation.

1130

Mr Chrisjohn: Good morning. My name is Gordon Chrisjohn. I would like to thank the committee for this opportunity to express my opinions on the Ontario government's economic policies. As a member of the aboriginal community, I would like to elaborate on that. I am a native community development worker here for the Can-Am Indian Friendship Centre of Windsor, but I am not here in that capacity. I am here as a member of the aboriginal community. I am here as a member of Oneida first nation, not as a representative of any organization or any political body.

The present recession is hitting hard at most sectors of Ontario, and when the entire province is involved with those kinds of hardships, aboriginal people, to say the least, are not exempt. Whether they have remained on the reserves or come to urban areas, they cannot help but be affected by unemployment, business closings and inflation.

Speaking only as a person living in this part of the world, I find that the more abstract issues of economic theory have far less meaning to the people with whom I have been speaking, aboriginal or otherwise, than the problems of facing daily life in these hard economic times. As such, I find it difficult to embrace policies which are long-term in nature and are directed at the economy itself rather than the people. Herein lies the controversy between federal economic policies and those of the present government of Ontario.

The federal government has instituted a number of measures which have had a dread impact on the daily lives

of the average Canadian. Free trade and the GST seem to be the policies most often singled out as the culprit: businesses relocating to the United States, a downturn in tourism, high prices at the store and unemployment. However, we are told by the federal government that these policies will prove in the long term to be good for the economy. The government does not say that these policies will be bad in the short term for the people.

The NDP government, I believe, recognizes that the long-term policies for the people will be the short-term result of the current policies and has created people programs to bring Ontario through an inevitable crunch. I was disappointed there to hear federal criticism of the NDP for not doing its job to reduce spending and lower Ontario's deficit. With such action, the people of Ontario would be suffering worse effects from the federal policies. It is as if it was intended all along that the people suffer while the aboriginal economy improves. I disagree with sacrificing people for a part of economic policy.

In the area of economic policy for aboriginal people, the NDP has shown leadership, sensitivity and a determination not to let momentum be lost. The province and aboriginal peoples have been moving rapidly toward a political understanding of mutual respect over the last few months. It is important that this ground gained not be lost through any reluctance on the part of the province to meet its support tangible. Real political progress must be reflected in real social progress. As such, old programs must be continued and new programs implemented to cement our new understanding.

The NDP budget demonstrates that aboriginal people have not been forgotten, not been sacrificed to economic expediency. For instance, the budget for the native affairs secretariat has been expanded—in fact, more than doubled. This expansion reflects a commitment to ongoing talks in the area of aboriginal self-government and the resolution of outstanding land issues. There are a number of ongoing initiatives through the Ministry of Citizenship which are creating community infrastructure capital projects. I will not dwell on these except to say that the benefits of community creation and community development are obvious products of these initiatives.

The budget also includes \$1.15 million for aboriginal education projects. I note with interest that this program includes both on-reserve and off-reserve projects. The practice has been to view self-government and institutions of self-government from a purely on-reserve perspective. In this case, not only does the announcement reflect a more open view, it attaches a sizeable amount of money for implementation. Off-reserve institutions have been struggling in the formative process. I can foresee that this funding can be utilized to make these institutions a reality.

The anti-recession program has created a number of aboriginal-directed initiatives. With the Ministry of the Solicitor General, I am aware of funding to create jobs and promote aboriginal awareness. In concert with local police authorities, aboriginal institutions can arrange awareness training, adapt educational material, conduct liaison and promote recruitment.

Within the Ministry of Health, opportunities are to be created to promote community and agency interaction. While these positions are only temporary, their effects will be further-reaching. Employment will be created within the original communities, and during these times even short-term work is highly valued. The tasks accomplished will have impacts in the social fabric of those communities.

In conclusion, I do not wish it to be taken that aboriginal people are receiving special treatment. I am aware, though marginally, that employment initiatives are being implemented within the greater community as well. It is significant in my daily contact with aboriginal communities, I have become more aware of what the NDP is doing regarding these communities. I believe that social programming for aboriginal people, and in fact all people, cannot be reduced to a time when fiscal policy is diminishing the people's capacity to provide for themselves.

Mr B. Ward: The gist of your brief is, you are here as an individual, however you have perceived the budget to be heading in the proper direction as far as dealing with the native population is concerned.

Mr Chrisjohn: Yes. In fact, I would say that from my contact with a number of communities—and I should point out also that I come from an aboriginal community. I am living in Windsor and I have relatives who have roots in another urban community as well, and they all seem to endorse the NDP policy as far as aboriginal people are concerned.

Mr B. Ward: It is very hard to project how things would be, but if these initiatives had not taken place in this budget, could you perhaps discuss what you perceive would be happening without these initiatives?

Mr Chrisjohn: To be as frank and honest as I can, I expect that there would be more situations—and I do not want to be alarmist here—along the lines of Oka. I believe that people have been quite dissatisfied for some time. They have heard different governments, Ontario governments, federal governments, that have made promises and have not backed up those promises, that have instead dangled apples in front of our faces, and when we decided to take them, they withdrew them and simply kept their promises as castles in the air.

There is a great deal of cynicism rampant within the original community about governments that behave in that way. A concrete example would be the way the aboriginal people are entertaining the idea of the national task force commission to look into aboriginal affairs. In the past, during the Meech Lake Accord, it was dangled in front of them as a prize—"If you agree to this, then you will have this commission"—and at that time the feeling was that it was a good idea. "If it was a good idea before, it will be a good idea later. Let's not have our participation in the Meech Lake accord coloured by this potentiality." When it was turned down, the same initiative was withdrawn, perhaps as a punishment for not going along with the Meech Lake accord.

As we have seen, the federal government has seen the overall wisdom of such a thing, and Meech Lake accord or Meech Lake accord no, it has decided it is time for

such a commission. This was our attitude during that time. We are cynical about promises that are not going to be kept.

I have to say in all frankness, the aboriginal people with whom I have been talking endorse the NDP's proposals and they see real results and the real effects of those policies as a "window of opportunity," I believe is what they said. They realize that federal and provincial politics are written in water and the next government may not have the same obligations or feelings towards those policies. But for the present they believe that what the NDP is talking about in these areas is real and that the gains that can be made in association with and in co-operation with both the federal and provincial governments now are real.

Mr Lessard: I want to thank you for coming here today and making your presentation. I know you are not speaking on behalf of the Can-am Indian centre, but that is a centre you play a role in, and I know that centre itself plays an important role in the Windsor community, to provide information and education for aboriginal Canadians.

In your brief you mentioned initiatives the federal government has introduced that have, in your words, had a "dread impact" on the daily lives of average Canadians, and you mention a couple of examples and the impact those have. I wonder if you could tell us whether these policies have had an impact on the aboriginal community. What sort of impact have those policies had?

1140

Mr Chrisjohn: As I have also said, it is the same sort of impact as on the people at large, where we find our demographics, on-reserve and off-reserve, are the same. Within the cities our unemployment is always a little bit higher, our health is always a little bit worse, those sorts of things. We seem to mimic the society at large but exaggerate the negative aspects of what is going on within the communities.

As a concrete example, we often do inventories of community resources and resource people. As you know, Windsor had been a very stable economic community for a long time, and just recently it has had the highest unemployment within the province and there is a great deal of upheaval within the Windsor community at large. We did an inventory—this is something that would seem would have no relation whatsoever to economies and such—on people within the community speaking aboriginal languages who could be called to hospitals and who could perhaps even teach to our children within our own L'il Eagles program and such the aboriginal languages.

We have this resource that is only two years old and the hard economic times have upset our stable population to the point where 60% of those people are no longer in the community. As you say, could I tie that to the GST? Probably not. I do not have those kinds of skills in the area of analysing economic policy. But something has changed in the way the population is being made up in Windsor, and it has been over the last two years, and our people are moving around. I would suggest, knowing that aboriginal people have known for a long time the wisdom of migrating habits, that you go where the fish are plentiful and you go where the game is plentiful.

In Windsor the employment opportunities are not plentiful, and they have moved on elsewhere looking for where the employment has gone. I can draw that analogy and I can make that implication, but I cannot exactly prove that through economic means. We have some knowledge that some of the people did move to find jobs elsewhere; that is a fact.

Mrs Sullivan: We have had some very poignant testimony before the committee from Chief Gordon Peters, among others, who spoke about the capacity of land that the aboriginal people were seeking in terms of negotiations with the province, treaty rights, and of the lack of capacity in both human and financial resources in terms of coming to terms with the implementation of any agreements which have been signed. He made it very clear that at this point in time there has been no impact of this signing of the agreement, that the steps have yet to be taken indeed in all of the agreements that have been signed.

We are particularly interested, of course, in the economic development future for aboriginals. That is one of the things I would like you to speak of in terms of co-operative community development and so on.

The other thing is, we have also had a very passionate presentation from the Metis community, whose members say they have been left out of all initiatives this government has put forward in terms of aboriginal affairs and indeed that they will not benefit from one of the initiatives included in the budget. I wonder if you could comment on those two areas.

Mr Chrisjohn: Only slightly can I comment on those areas, because they involve both political issues as well as looking at them from a macro scale. I am working simply within this one community. You note in one part of my presentation I talked about my knowledge of capital projects, but I did not want to go and dwell on them to any degree, simply because no community with which I have had contact has had those. Those have been at Akwesasne, and other areas as well. I did not really want to pretend to any expertise in that kind of area.

As far as what the economic policy impact is within the friendship centre and the communities that I know of, yes, you are right in that we have not accessed these programs as yet. I got a couple of submissions in and we will see how they turn out as well. We find there are dollars attached to that and for the first time they are saying, "Here's the paperwork you have to do in order to get at that." That step has been missing from other promises and other programs. We find we are going to benefit if we can bring some of these things within the Windsor community. I have had instructions from my board of directors to pursue that.

I have only been temporarily here in Windsor for five or six months now, but in the past at other boards of directors with whom I have worked and other councils of chiefs, I have been told to ignore those kinds of things, because they do not believe there is anything behind that; that is a public relations ploy, or what they are looking for will benefit them much more than it will benefit the aboriginal community. They will be able to make a check in the box that, "Yes, we did some consultation," or, "Yes, we did some native awareness training." They find that the

way these new programs are designed, they will have some impact on our community and will be of benefit. I guess that is about all I could say in that regard.

Mrs Sullivan: Do you have any comments on the Metis question?

Mr Chrisjohn: I also am aware that the Metis have their own political organization to speak for them. A friendship centre, such as I represent, is accessed not only by the Indian community but the Metis and Inuit communities as well. We also, we believe, provide service to the non-Indian community. We think what we do is beneficial to everyone, plus our programs can be accessed by anybody who comes through the door, non-Indian as well.

As an example, we get referrals from the Canada Employment and Immigration Commission for people with learning disabilities because of our BEST program; that is basic education starts today. We have one-on-one tutoring in skills upgrades which these people can access for free—let's say at no cost—through our programs, for which they do not qualify within other government programs. They do not have the language skills or they do not fit the right category, whereas ours are so open that we have people without English skills coming in to learn computers. As they are also improving their English skills, they will be able to access the pre-entry programs for universities and colleges. Those kinds of things are what we have available.

It seems to me that within the friendship centres, if we institute some of these new programs, they will have access to them as well and they will also derive benefits from them. Other than that, I would not argue with any of the statements made by any of the representatives of their political organizations. I feel they would know far more about their membership than I could anecdotally.

Mr McLean: Thank you for appearing here this morning, Mr Chrisjohn. I have enjoyed your presentation. I have a couple of questions. You indicate in your presentation that the budget for the native affairs secretariat has been expanded. Do you know how much it has been expanded by?

Mr Chrisjohn: Yes. Actually, I had a list of that. It is almost by three. Let me take a look at that.

Mr Carr: From \$6 million to \$23 million.

Mr Chrisjohn: To \$23 million; it is from almost \$7 million to \$23 million. That is just in the operational area. In the capital expenditure area there is another \$21 million.

Mr McLean: I see you are well versed on it, and that is great. Can you give me your view on how you feel self-government should work?

Mr Chrisjohn: This is a good one because I am also working and living off-reserve and I think, as I have said in the past, policies have been directed more with on-reserve in mind. I would particularly like to talk about off-reserve government. It seems to me that—

Mr McLean: Is there a difference between off-reserve self-government and on-reserve self-government?

Mr Chrisjohn: We should diminish any concept of the difference between that. I think the people on reserve have had the benefit of the recognition by the crown,

whether it is in Upper Canada or the federal crown or the provincial crown. They understand the reserve system because they have instituted it as an administrative structure. But when you consider that we have first nations with more than one aboriginal nation living there—the Ojibway and Potawatami living at Walpole Island and at Saugeen—the idea that an urban community with different aboriginal nations making up its membership should not also be considered for self-government as an aboriginal group does not seem completely logical.

It seems there is so much that is true about the urban group that is also true about the reserve group that it is conceivable they could both maintain their institutions of self-government, not necessarily through a chief and council, but perhaps through boards of directors or almost—and I hate to say the word—in a municipal-like fashion. The same kinds of ways as other sovereign provinces—I almost said sovereign cities—but with recognition of some of their right to self-government, very much like the municipal style of government. It could be a style for the cities as well.

Mr McLean: So you are saying the reserve self-government would be more important than the off-reserve self-government.

Mr Chrisjohn: It has been considered more important right now by the crown and the agents of the crown, but I do not consider that would be the case. Such concepts should be considered co-equal in the future.

Mr McLean: Is there any draft or suggestions in writing of how the native community has some points it would like to see in any agreement with regard to self-government?

Mr Chrisjohn: In the area of off reserve, which I really feel I should be responding to, we are virtually

maintaining many of the structures of self-government. Administratively we are moving into the areas of education. For aboriginal people within the cities we have been the number one social service provider. So in some respects we are used to doing things that way.

To go the next step and ensure we have some capacity to not only provide the service but direct, it I think, is a logical extension of where we are going in the area of service delivery within the urban communities.

Mr McLean: The political understanding, a mutual respect over the last few months, the agreement that was signed, what effect does that have on what is taking place here in Windsor in your community?

Mr Chrisjohn: Actually, that is one of the reasons I would like to stress the urban community. I think that agreement is a good agreement in principle, but it does—let's not say "exclude"—it does not include urban organizations where it really ought to. I have been asking for that document to be forwarded to me. They simply could not get it to me in time for me to speak authoritatively about it here.

My own provincial organization has not provided me with analysis in time to speak about it here, except to say it is more reserve-directed and more of the older mentality and that anything we can do to try to expand the thinking of people into the areas of urban self-government institutions should be done at every opportunity, and here is an opportunity.

The Chair: I thank you for appearing before the standing committee on finance and economic affairs on the budget review. This committee will recess until 1 pm.

The committee recessed at 1154.

AFTERNOON SITTING

The committee resumed at 1304.

The Chair: We will resume our hearings on the budget review for the standing committee on finance and economic affairs. A few members are going to be coming in maybe about halfway through the presentation.

UNEMPLOYED HELP CENTRE

The Chair: Would you state your name before you start? You are from the Unemployed Help Centre. I would like to welcome you.

Ms Pons: Thank you. My name is Pamela Pons and I am the executive director of the Unemployed Help Centre here in Windsor. We had scheduled for this afternoon a client who has been a recipient of our food bank. It is with great distress that I advise you she is unable to attend. At this point she is waiting for our local children's aid society to come to her family's rescue. They presently have three children. Her husband has been a victim of a plant closure and unfortunately, with the changes to the Unemployment Insurance Act, he has run out of unemployment insurance benefits. They are hoping the children's aid will take care of their children since they are unable to do so with UI benefits. I still am pleased to be here this afternoon before the committee to comment on the budget as it relates to the unemployed and the underemployed workers whom we service here at the help centre in Windsor.

For some, memory serves us only too well as we recall Windsor's worst recession since the depression of the 1930s. In the late 1970s and the early 1980s the auto industry plant closures, severe cutbacks, indefinite layoffs and business bankruptcies caused the unemployment rate to escalate far beyond 26%. Thousands of workers who had once held secure jobs were now faced with the cold reality of standing in long unemployment lines. Financial difficulties led to the foreclosure of thousands of homes, which subsequently contributed to the increased number of family breakdowns, drug and alcohol abuse and suicides. Multitudes of dispirited community members made a westward exodus in search of a second chance, while their families were left behind waiting for news of employment. Still others gambled and chose to stay behind, looking for that pot of gold at the end of the rainbow, a job.

The centre's ideology has been to assist in the re-employment process of the disadvantaged. In doing so, we continue to evaluate and investigate services provided to the long-term unemployed. Indeed, because of the expertise in developing new employment strategies and counselling techniques, the help centre in Windsor has itself become a model for other centres across the country.

One of the programs instituted by the help centre was in 1988, when we opened our food bank. This contains not only the services of a food bank, wherein we distribute food to other food service providers, we at the centre are also a food service provider. In this cause, we recently received a grant of \$13,000 from the province to aid us in our administration of the food bank and the food service program. We would like to thank the provincial government for being

the first government to aid us in this endeavour. Our annual budget to fund these two programs is in excess of \$75,000.

We understand that the funding provided to us is only one of many items that are responsible for the current provincial deficit. I would, however, be remiss in my responsibilities as director of the Unemployed Help Centre if I failed to make a plea for additional moneys. While this government has been the first to recognize the need, the value and life support we provide to our clients, the job is not done; \$13,000 is only a small portion of those moneys that we need to keep that program in place. We must continue to depend on our community for the balance of our support, a community which at this point is very hard pressed to continue to make that missing link between our community and the moneys we have available. We urge the government to respond to this need.

In support of our community's continuous and generous financial contributions, we also respectfully request a change in the provincial taxes. Unfortunately, this request would increase the deficit; it would add to it. However, it would be a recognition of charitable giving. Unlike the federal government, which has systematically destroyed the deduction for those who aid groups such as ourselves, non-profit charitable organizations we ask the province to institute an additional Ontario tax credit similar to the workings and benefits of the political tax credit system.

1310

I am also here today to speak to you about the effects of plant closures. These victims are part of the cause of Ontario's deficit. No longer are the victims able to continue to pay tax dollars. They are the same people who are in need of services this province can and should provide. I name a few of those victims: A&P in Windsor, 156 victims; Ford Motor Co, 1,228 victims; General Motors, Windsor, 255 victims; Brant Castings, 114 victims; Clay-Mill, 114 victims; Dominion Forge, 200 victims and our list goes on and on, unfortunately.

Our community and the surrounding area have been torn apart by plant closures and downsizings. Since 1980, in the latter part of the year and onwards, our agency has had occasion to meet with the provincial government through the Ministry of Labour. Our plea to that minister has been to come to the aid of our community and allow us an opportunity to service those very victims. The only way to service them is to continue to provide them with counselling services and retraining. We went to the province, we expressed our case and as a result were the recipients of a pilot project which provided to the Unemployed Help Centre some \$200,000. Such a pilot case was also repeated in three other areas in this province: London, Kitchener and Cambridge.

While this is a terrific expense and is again another factor in the deficit, those funds have not gone far enough. We need to increase the dollars that are going to service the victims of this recession, and it is not beyond the capacity of the province. We know we have a deficit, but the only way to get workers back to work is to re-educate

and continue to provide them with services. If we fail to do that very important task, we fail the people in this province. I would urge you to bring a message back to the government that these are not small issues. While there is recognition of the damages of closures, we need to increase services to them.

The federal government has destroyed many of the programs our unemployed need to fall back on. We know employment insurance benefits last a far shorter period than they ought to and that the insurance system was ripped apart. To recognize that it was ripped apart is not enough. We need to continue to provide those services and that causes a continual deficit of the province, then the province needs to take that challenge. We need to take on the federal government, despite the recent rulings by the Supreme Court of Canada. We need not allow the feds to continue to put a cap on the Canada assistance plan. Those dollars were sent to the government in good faith and they must respond to the needs of our workers.

I urge you to bring back the message to the government that while there is an appreciation for some of the efforts that are made, there is truly a recognition that there is a deficit. The only way to bring our people out of it is to continue that deficit until this recession starts to ease the pain in this area. Thank you.

Mr Carr: Thank you very much for a fine presentation. As you are probably aware, education is a provincial responsibility. It has been, going back to the British North America Act. One of the concerns I have is that if you take somebody who is on social assistance right now, whether it is a single mother or somebody who has lost his job in a factory, an older male who is close to retirement age—these are those who have said that in this budget there has not been any money directed towards helping those people through apprenticeship, retraining or skills development programs, and that really the long-term solution to the problem is to give people the skills and training that are needed. A lot of people have said this budget did not do it; it did not put any money into those areas.

I was wondering if you could comment on what you would like to see in the area of skills and education and the whole retraining thrust. What would you like to see the provincial government do?

Ms Pons: In terms of education and basic skills, those who claim that this budget did nothing are uninformed persons. We received a phone call on Friday that, through the Ministry of Education, Windsor and Essex has its first verbal approval of a grant that was submitted. This grant will allow this area to look at the basic skills needs of workers, and that will be through the educational process. There will be a staff of four who will co-ordinate and do assessments on workers. Through that endeavour there is that both the school board and the college system have aimed to be very recognizable financial support to put additional classes into place.

But those are the worker-centred, not traditional, educational processes. They may not have worked for workers in the past. This is a new way to look at it, and we in Windsor are very excited with the types of programming

that we will be able to put into place as a result of this new initiative. It was spearheaded by the Ministry of Labour.

Mr Carr: You are right, a tremendous amount of people throughout the provinces are losing their jobs. One of the occupations where you do not lose your job is in the public sector, if you work for the Ontario government. There have been those who have said that every company has to look at making itself more efficient and cutting costs, but when it comes to the government, they are not like individuals and businesses who have to watch their pennies and so on; they can spend because they can add it to the deficit.

One thought was that if we restricted the increases to everybody, and there are I guess 90,000-odd civil servants in this province, we would be looking at a saving of around \$1 billion, and that is with a "B" not an "M" as in "million." I just wondered if you would comment on that. What would you say to those people in the public sector who are getting wage increases of 6% when you have so many people who are unemployed? What would you do with it?

Ms Pons: I certainly would not want unemployed workers to be seen as taking away something from another set of workers. In any set of contract negotiations or at any time of an annual wage increase, someone is certainly not going to say, "Yes, I will take concessions, but I want the money to come from another business." That simply is not feasible. For those who are getting wage increases, we applaud that. The cost of living has gone up in Ontario, and for the government to make a statement and say, "We do not believe in a wage increase," where other corporations have their workers asking for the same, would certainly not be a clear message.

Mr Carr: One of the concerns that has been voiced out there is where the government is spending money. There are a tremendous amount of areas where there can be some cuts made. I do not know if you were here earlier today, but we talked about some of them, whether it be wage restraints for the workers, the \$54,000 spent for new carpeting for the minister, the \$1,500 that the Ministry of Community and Social Services workers were going to spend to go to the SkyDome. There is a perception out there that the government can find the money internally. I was just wondering what your thoughts were, whether you believe that, or whether you think the Ontario government is run so efficiently that there cannot be any money found anywhere else in all these massive programs that we have. Maybe you would like to comment.

Ms Pons: Any ship can be made somewhat leaner. However, I am not going to comment in regard to some spending that took place. I do not know the details of the carpeting you mentioned. Perhaps it was due to be replaced 10 years ago and was not. So, without having full details, I think it is not fair to make comments on that.

1320

Ms M. Ward: Thank you for your presentation. The current recession is recognized by most as having begun last April, which is over a year ago now. Given the changes in unemployment insurance over the last few

years, do you think that you have in Windsor a large number of people who will be forced on to the welfare rolls when unemployment insurance runs out?

Ms Pons: It is the unfortunate prediction of our local Canada Employment Centre that come the first week in September we will have the displeasure of having 300 to 500 people fall off unemployment insurance benefits every week.

Ms M. Ward: And I understand that Windsor, according to the information I have, will receive about \$21.6 million in grants and funding under the anti-recession projects. Certainly this must have helped to keep people off the unemployment rolls and subsequently off the welfare rolls also. What do you think would be the effect here if that funding were not in place, not just the anti-recession funding but also the increased grants and help for municipalities? Could you comment on what you think your situation would be if that had not been done?

Ms Pons: I do not think I would want to face a city in that condition. We have suffered terribly from this recession. One of our difficulties is that Windsor is going through a different type of unemployment than we have in the past. In the past it was cyclical, we went through our downturns, other municipalities followed behind in the types of suffering we had. While we were the first into the recession, we were also the first out. This time it is structural. Those plants are not here for our workers to go back to, so it will be very difficult, and we face a significant challenge in trying to diversify this local economy so that there are jobs for our workers to go to.

Ms M. Ward: You commented about the new unemployed and foreclosures on family homes and so on. This is a group of people who have not been in that situation before; if they are forced on to welfare when their unemployment insurance runs out, it would be a totally new experience for them. Is that what you were speaking of in your presentation?

Ms Pons: For many the idea of going on to unemployment insurance was devastating for the family. However, to be faced with the reality that one may have to face the roll of social services is extremely difficult.

Mr B. Ward: A quick question: I admire your courage. You are on the front lines, I guess, experiencing the recession firsthand with the people coming in and using the services of the Unemployed Help Centre. I think some people do not appreciate the extreme hardship that is out there for working people, whether it is in Windsor or my community of Brantford or anywhere else in Ontario. What would you say to the critics of the budget who suggest that we should be cutting back on our social programs at the time of extreme hardship? What would you say to them?

Ms Pons: I would suggest that cutting back on expenses is not the answer. In fact, it is our position that those expenses should be increased.

Mr B. Ward: And that those critics perhaps should come and visit the Unemployed Help Centre to see firsthand what is going on in the community with working people?

Ms Pons: We have had such critics visit our office, and I dare say their position had changed dramatically

from the point before they walked in that door until the point at which they exited. People unfortunately have a misconception that people are unemployed because they want to be unemployed. There are very few people in that category, although to say there are none is also a gross mistake; there are people who make that choice. But I would suggest strongly that the expenses are increased and that in order to bring people back to work we have to make additional expenditures. That is the message I would like to see brought back.

Mr B. Ward: That is good to hear, because I anticipate a delegation further down the list that will be suggested that the deficit should be cut back. Perhaps an invitation could be extended to them to visit the help centre.

Ms Pons: Consider it so extended.

The Chair: I would like to thank you for attending the budget review hearings.

If it is agreeable with the committee, I would call for recess until 1:30, when the next group comes in, which will give the opportunity for the official opposition to be heard. They said they would be here at 1:30.

The committee recessed at 1326.

1330

ROLAND MARENTETTE

The Chair: We will resume our hearings. The next participant is Roland Marentette. You will have 15 minutes to make your presentation. Try to leave some time at the end of your presentation for questions from the three parties.

Mr Marentette: I have a very short presentation, but there will be a lot of time. The portion of the Ontario budget that I would like to comment on deals with the environment. So that you understand why this area is of specific concern to me, I would like to enlighten you as to my involvement locally in this issue.

Since 1987 I have been very active in Windsor and Essex county on transboundary air pollution problems, the Fermi II nuclear plant issue, reforestation projects, a member of the binational advisory committee for the Detroit River remedial action plan and involved in the elementary and secondary schools, working with students and teachers on environmental concerns. Lately, I have also been involved as a volunteer with the Essex waste management committee in its master composting program. As you can see, the emphasis has always been on personal involvement and, most importantly, public outreach.

I must say that I was particularly pleased to see the budget directing Ontario Hydro to implement a more comprehensive conservation program. The Canadian consumer has long been identified as one of the greatest wasters of energy in the world, and to build new generating stations for anticipated future demand without first exploring the impact of research and development and new energy saving products and public education in wise energy use is simply irresponsible and would in fact be encouraging this type of wastefulness.

The other area is the increased funding for the municipal 3R programs, which I find is also very important. In Essex county, the recycling program has seen an 85% participation

el. The expansion to include apartment buildings has yet been achieved because of lack of funding. The hazardous household pick up days is another successful program that has seen an increase in participation every year. According to the Essex waste management committee, this one program alone costs over \$200,000 to run. The master composting program I mentioned previously is a new volunteer project and is designed to get the public more involved. Without an increase in funding for these activities you would be discouraging any progress that we have made and also undermining the little confidence that people seem to have that governments are committed to the environment.

The awareness and concern of the people of Ontario is reflected in poll after poll and I think, rightfully so, they are looking for leadership and responsibility on behalf of the government. I know it would have been very tempting to fall into the trap that other governments have and use the recession as an excuse to neglect that responsibility. I therefore must applaud this government for its continued support for these initiatives and look to this as a sign of commitment on this very important issue.

Mr B. Ward: There is some discussion or thought that, by paying attention to the environment, it may make businesses uncompetitive because of the added cost. But in fact, through recycling and becoming aware of what waste is being disposed of from a corporate standpoint, savings could be implemented. Do you agree with that thought, that by becoming more environmentally aware of the policies and direction that society seems to be taking, corporations have an opportunity to save money and become more competitive?

Mr Marentette: I will give you an example of a corporation that implemented a very good recycling program—changed processes—and that is 3M Corp. They saved over \$500 million globally just by changing processes and getting involved with recycling programs.

Mr B. Ward: So that could be a selling point for convincing businesses to pay more attention to the environment.

Mr Marentette: Exactly. I work for Chrysler Corp. As a person who works on the line, I could probably identify our parts we deal with that could be sent back to the supplier to be reused. It would be saving Chrysler the problem of having to pay somebody to take the waste out; also the supplier would not have to buy the replacement part. You would not only be saving money at Chrysler Corp, but also for the suppliers. I think it is a worthwhile venture for them.

Mr Sutherland: Picking up on Mr Ward's point about how it can help business to be environmentally friendly, I want to ask your opinion as to how a government should be responding to environmental issues among the corporate sector; that is a), do you feel we should be doing it from an incentive standpoint, or b), should we be doing it from the hammer standpoint, in terms of legislation forcing the private sector to come forward on environmental issues?

Mr Marentette: I think you will always have some industries that will not deal with it, but you have a lot of industries out there. If you used the carrot-and-stick approach, when they can get involved in a program without

being seen as the bad person, without damage to their image, they are going to see the advantage of what it will do in reinforcing our feelings toward them, because some people are very critical of industry and in some cases, that is necessary.

I think it is warranted because some out there, regardless of what type of program the government puts in, do not want to take any part in it. They see this as an area the government should not get involved in because it is a power thing with them: "It's my business, I should run it the way I feel regardless of the cost." We are at the point of saying now, when it comes to the environment, "Listen, if you can't deal with it, is your only purpose in being in business just to provide profit at any cost, or do you have a social responsibility that impacts on a community, affecting everybody's quality of life?"

Obviously, you cannot portray a corporate image as: "I'm a nice person, therefore I'm there to provide this." There are going to be some problems with some corporations. But I think the carrot and stick have to be used first. I do not see any problem with that. It is like my son. Obviously, he has to see an advantage to himself, but if he does not, I am not afraid to come down with the hammer. Not literally.

1340

Mr McLean: I have a couple of questions for you and I hope you are up on this, because I am looking for some answers. It has to do with waste management and a lot of municipalities in this province. Their sewerage systems are loaded to capacity. I do not know about this community, whether they are letting it out into the river or not, but I know in Toronto, an hour after a rainfall they close the beaches down because of the pollution. It is mainly coming from the sewerage systems that are not up to date and are overloaded. I am wondering what is happening here in this community. I know from the contractors who are paid to haul the sludge away that the farmers are now, in some cases, not accepting it. There is no place for it to go. Are you up on this aspect of waste management and what do you see as the solution to the problem?

Mr Marentette: Are you talking about the sludge composting programs? Windsor had a very good program at one time. Unfortunately, they did not fund it to the extent of a proper ventilation system for the air mixture and everything else like that, which would have eliminated a lot of the odours. So the people in the community who lived around that area complained mainly about the odour. But from what I understand, the compost that came out of it was very useful. I know there was some concern about the heavy metals that accumulated in some of the sludge so instead of using it on farmers' fields, they were in fact using it in the city parks and for fill in that type of area where they did not have to worry about producing a crop. But it is a viable operation. I have a lot of confidence in it. That is why I am also involved in this home composting program because I think there is a lot of misunderstanding out there.

Mr McLean: When I was coming to Windsor this morning I noticed a big hill and I presumed it is a hill of garbage. Is that where the disposal site is for this area?

Mr Marentette: It must be what they refer to as Maidstone mountain. Yes, that is our current landfill in Maidstone.

Mr McLean: How many years will it be good for?

Mr Marentette: I believe it is going to be extended until 1995.

Mr McLean: Has there been a ministry order on it to extend the time?

Mr Marentette: I think there has been. I am not sure.

Mr Carr: You may have been here earlier when we talked about this. It is one year ago today that the Agenda for People was written, August 18, 1990. On page 7 it says, "The New Democrats would pass the safe drinking water act right away...." It was interesting that they put in the "right away" portion. We are now coming up on, I guess, 10½, almost 11 months. They were sworn in October 1. Are you concerned that the New Democratic government has not passed the safe drinking water act right away like it said it would?

Mr Marentette: I think it is like everything else. I guess, when you are a new government, you have to start looking at putting a program in place and making sure that it is going to work. Just to put a program in place to say you have a program, without consultation, I do not think is the proper way to do it.

WINDSOR AND DISTRICT CHAMBER OF COMMERCE

The Chair: The next group is the Windsor and District Chamber of Commerce. You have half an hour and would you please leave some time at the end for the question and answer period. If you would identify yourselves for Hansard.

Mr Roberts: My name is Stephen Roberts and I am the president of the Windsor and District Chamber of Commerce. If it is of assistance to you, I do have a copy of the text of what I will be saying. There should be about 15 copies here. I will just get a glass of water.

Interjection: Are you sure it's water?

Mr Roberts: I hope it is water.

Background: The province of Ontario, for the last few years, has been operating with minimum deficits, and in some years, surpluses. However, by the third quarter of the 1990 fiscal year it became apparent that the recession was causing tremendous harm to the economy and that a substantial deficit was being projected. In the last year, Ontario has lost approximately 250,000 jobs, at a rate of close to 700 a day. Two thirds of all the jobless workers in Canada come from Ontario, the province which generates 40% of Canada's economic production.

Facing this economic background, on Monday April 29, 1991, Premier Bob Rae and Treasurer Floyd Laughren announced the new budget for the province of Ontario. This free-spending pair immediately entered the record books with far and away the largest deficit ever recorded by a province in the history of Canada, at \$9.7 billion. Unfortunately, at the same time they mortgaged the province, they may have caused irreparable harm to future generations who will have to pay for these excesses. The new

deficit will be nearly triple the last highest deficit in Ontario's history, which was \$3.18 billion in the 1982 fiscal period. The provincial debt, in one stroke, will increase by one third to a total of \$51.7 billion. This is more than \$5,000 for every person in Ontario. In addition, the Premier and the Treasurer are forecasting high deficits for the remainder of their term in office, which will substantially increase the provincial debt in Ontario.

Although revenues are expected to decline during the 1991-92 fiscal period, the government has proposed to increase spending by 13.4% over last year. With the execution of a program to provide loans and loan guarantees to small- and medium-size businesses having financing problems during the recession, and increasing investment in research and development in new technologies, the initiatives and money being spent in the budget are not directed towards business or adding any incentives for investment in Ontario, or to increasing the competitiveness of business in Ontario.

The budget contains numerous tax increases, and a number of them have been directed at businesses; for example, the removal of the small-business deduction. In addition, taxes on cigarettes, gas and alcohol were significantly increased. The Treasurer has added 48 cents to each pack of cigarettes and 1.7 cents to each litre of gas, with another 1.7 cents due next year. The rate of tax for gas-guzzling automobiles applicable on new purchases was doubled and a greater number of vehicles were included under this tax. This was done without consultation with the automotive industry or labour representatives and resulted in widespread criticism which forced changes to be made.

These tax increases will only further reduce the disposable income available to consumers who are already either not spending their money or spending it across the border. The government totally ignored the devastating economic hardships being incurred by border communities and made no mention whatsoever of any measures to combat cross-border shopping. In fact, to the contrary, the substantial increases in taxes on gas and cigarettes will only further increase this problem.

1350

Concerns: 1. The substantial increase in the deficit to unprecedented high levels will only lead to further increases in taxes. In addition, the burden of carrying the debt will be passed on to future generations, which will affect significantly the social programs and other benefits that the government has been able to provide and that should be provided in the future.

2. Increased government spending will also add to inflation and lead to higher interest rates and an elevated Canadian dollar. This has the effect of hurting businesses in Ontario and reducing the province's ability to come out of the recession. The current government in Ontario is the only jurisdiction in Canada which has not introduced a program to control spending.

3. The increase in taxes will reduce consumers' disposable income, which will further reduce their spending habits. Consumers are already struggling with high consumption loan and mortgage rates and there will now be additional costs incurred in purchasing cigarettes, gasoline and alcohol.

As a result, businesses will continue to see their ability to compete being eroded and there will be a further loss of jobs in Ontario.

4. If the current pace of government borrowing continues unabated, more and more of our tax dollars will be spent paying interest costs. In addition, this problem will be compounded as the government is called upon in the future to fulfil the needs of our aging baby-boom generation or as new problems arise, such as the need for environmental protection.

5. The budget did not contain any initiatives to attract business investment and new jobs in Ontario. Furthermore, the budget was lacking in new initiatives to assist in the training and retraining of Ontario workers.

6. The budget contained nothing to combat cross-border shopping and to reverse the damage being sustained by businesses and border communities. In particular, the budget contained no assistance with respect to the reduction of gasoline taxes in border communities and, in fact, increased taxes. This will further fuel—no pun intended—cross-border shopping.

7. The Treasurer also announced that the provincial Fair Tax Commission should expedite its review of a minimum corporate tax and a tax on real estate speculation, and appears committed to follow through with these additional taxes against businesses. The proposed announcements, along with other proposed legislation by the government, do not send out promising messages to anyone interested in investing in Ontario and will have a detrimental effect on existing businesses in Ontario.

8. The government is committed to high deficits throughout its term and appears very willing to continue its current spending levels. This will only result in further tax increases and substantial borrowing and interest costs.

Our recommendations: 1. The government should immediately reconsider its decision to increase substantially the deficit and debt in this province.

2. The government should immediately reconsider and consult with business and other interested parties to determine effective initiatives to stimulate investment and the creation of new businesses and jobs in Ontario.

3. The government should immediately reconsider its position regarding the substantial increase in gasoline and cigarette taxes, and in particular should immediately consult with business and other interested parties to determine an appropriate method to allow for the reduction of gasoline taxes in border communities.

4. The government should immediately reconsider its decision to substantially increase its spending levels and immediately consult with business and other interested parties to determine a program to control spending and reduce expenditures.

5. The government should immediately reconsider its position to announce further tax increases, including a minimum corporate tax, and should consult with business and other interested parties to determine alternative initiatives to raise the revenue necessary to balance the budget.

6. The government should seriously consider its decision to maintain high deficits for the remainder of its term in office and should consult again with business and other

interested parties to determine the serious consequences to the province and its economy of maintaining high spending levels and increasing taxes, as same will impact upon its ability to attract investment and to maintain its competitiveness.

As a concluding statement, we at the Windsor and District Chamber of Commerce strongly believe that the government's decision to increase the deficit to \$9.7 billion and to further increase the total debt for the province is wrong. We feel that continuing on this course of action with continuous high deficit levels will put the province further and further into debt, thereby increasing substantially the amount of interest being spent to sustain these debt levels. As a result, less and less money will be available to fund the basic programs and initiatives necessary to sustain the current standard of living in Ontario.

It is up to all of us to take action and tighten our belts whether we are from business, special interest groups or individuals. If not, we are creating an unacceptable burden for our children. Therefore, it is incumbent upon us to use our resources more wisely and conservatively.

The business community is more than willing to consult with government to discuss these issues and ideas. We feel strongly that our goals are the same and that we should work together on this issue. Only if we all expect a little less today can we guarantee a bright future for our children tomorrow.

Mr Kwinter: Thank you very much, Mr Roberts. Could you give me, very briefly, a profile of the membership of the Windsor and District Chamber of Commerce? Who are you?

Mr Roberts: Our membership contains approximately 1,000 to 1,200 businesses in the community. We extend beyond the city of Windsor and include most of Essex county. Our membership is primarily—I would say 70% to 75%—small businesses with under 10 employees. The remainder would be components of the larger corporations that have head offices in Windsor and in the area.

Mr Kwinter: Thank you. The reason I asked you that question is that earlier today one of the government members suggested there was widespread support for this budget, and he included small business. I just wanted to make sure—I knew, but I just wanted to get into the record—that you represent primarily small business.

Mr Roberts: Correct.

Mr Kwinter: Do you subscribe to their feeling that small business is supporting this budget?

Mr Roberts: Not wholeheartedly, no. I think the only portion of the budget which would have been of benefit to small businesses would be the financial assistance and loan guarantees being proposed for those small businesses that were undergoing hard times. I think, all in all, especially in border communities such as Windsor, the effect of this budget is going to be devastating. In terms of the comments that I made about gasoline and cigarette taxes being increased, basically, those increases act as a loss-leader for many consumers in Windsor to head across the border to fill up their tanks with gasoline or to buy their cigarettes, which then leads to other purchases. If you are not a gasoline station, or a corner store selling cigarettes,

that does not necessarily mean your business would not be affected. There will be many other small businesses that are affected.

The recent figures that we have now for Windsor and this area, in terms of the amount of revenue that is being lost across the border, are now close to \$200 million, based upon the small border collections that came across the bridge and the tunnel. This is not something that we can ignore any longer. I realize that a lot of the problems are not necessarily incumbent upon the government of the province to resolve. Our position is that it is no longer the time for finger-pointing between federal and provincial and municipal levels; it is time for all of us to work together to try to come up with some positive solutions to this problem.

Mr Sola: On page 2 of your brief, you state that "the budget was lacking in new initiatives to assist in the training and retraining of Ontario workers." Most of the delegations we heard this morning seemed to have the opposite point of view—that there were initiatives for education and retraining of workers. There seems to be a clash between your point of view and theirs. Could you specify what you see lacking or what you would like to see in the budget to initiate this sort of training?

Mr Roberts: Again, I think perhaps the operative word is "new" initiatives. I believe some of the money allocated in the budget was for initiatives that had already been ongoing. Of particular concern, I think, to a lot of small businesses are local programs. Again, and I do not want to keep harping on the issue, but of course one that affects the hearts of us in Windsor is cross-border shopping.

What we were hopeful of was perhaps announcements in the area of retraining. Service is one of the areas that people are complaining about being lacking in Ontario and that may affect our competitiveness. Perhaps we should have programs available for educational purposes, to retrain service sector people in those areas.

It has always been the position of the chamber, and I think in any well-meaning community, that your success in business and your success in operating basically comes down to your labour force. I think we in Essex county have a strong labour force and one that is generally well respected in terms of training and abilities. But there is still a need for an improvement in programs in that area, to help some areas of their economy to diversify into new areas.

1400

Mrs Sullivan: The Treasurer of Ontario, in this budget and just recently, has indicated that the province will start labour-sponsored venture capital funds, where people who work in a company can invest risk capital in the development of that operation. This morning, the CAW, when Bob White was here, indicated that they are very sceptical of that kind of an approach to investing in the future of business. I wonder what your view would be of the labour-sponsored venture capital plans?

Mr Roberts: I have to admit that I am not familiar with the program or the details. I would probably need to have a little better idea of what was involved. Am I to

understand that the employees of the corporation would advanced funds to take it over for themselves?

Mrs Sullivan: No, they would receive a tax credit—think up to \$1,500 annually—for investing in an equity position in the company.

Mr Roberts: I would need to hear more about the program, but generally I do not see a problem with that. It is a common business theory that when you can get your employees involved in the company, that can help increase your productivity. Productivity appears to be on the increase in Canada. To the extent that the labour force could become involved in an equity investment with a company, it may be a good idea. Again, the details of the program would have to be made known.

Mr McLean: Mr Roberts, I would like to know if you are here today representing the hotel and motel industry, the construction industry, the real estate industry. Are you representing tourism here today?

Mr Roberts: Inasmuch as we have members of the Windsor and District Chamber of Commerce from those areas that you mentioned, I would have to say, Yes. I am not here as a particular advocate for any one of those groups. But to the extent that the chamber of commerce advocates the ideals of our membership, and those groups are represented, I would have to answer, yes.

Mr McLean: We have had a great deal of discussion with regards to working with business and industry in order to get the economy rolling again. I cannot understand, in the life of me, why the Essex development commission, the construction industry, or the tenants' association would not be making representations to this committee.

Mr Roberts: The development commission in Essex county would probably rely on an organization like the Chamber of Commerce to make representations. This is not to say that they would not benefit by being here today, but perhaps they are relying upon us to represent their interests. The other groups that you mentioned, I would have to agree with you. It would not hurt for them to be here to emphasize those particular portions of the budget that relate to their particular industries.

Mr McLean: We are not hearing anything from the tourism industry. I would like to know what is happening with tourism in this town. I would like to know what is happening with the construction industry. What is going on? I mean, there is not one of them on this sheet, and I am, at the least, disappointed that we are not dealing with those very people.

Mr Carr: Thank you very much for your presentation. I think it was the Canadian Federation of Independent Business when they put their surveys out—and as you know, they do it very democratically where every member gets to vote on something and send the reply back—they said that the number one concern that business has is taxes, even ahead of the cost of financing. Number two was actually government regulation, but number one was taxes.

The big concern that a lot of people have with the deficit is that it will mean there will be no opportunity for relief as a result. In fact, a lot of economists are predicting, for example, that the provincial sales tax will have to go

pay for it. What a lot of people are concerned about is there will not be any opportunity for tax relief, in spite of the fact that we are now the most heavily taxed province in Canada and jurisdiction in North America. Is one of the concerns with the deficit just the fact that there will be any opportunity to reduce any taxes for any of the small businesses in the future?

Mr Roberts: Definitely. It always follows, certainly, the heels of creating deficits that you somehow have to make up with the revenues to accommodate those deficits, to raise the necessary funds to pay for the interest. It certainly negates the possibility of having further tax reductions. It is our position that rather than having higher taxes, efforts should be more creatively spent on reducing expenditures in ways that would enable the government to maintain those basic social programs that are part of the quality of life we have come to enjoy in this province and country. At the same time, they should allow for the balancing of budgets so that we do not lend ourselves to borrowing at the expense of future generations.

We do not need to have any more taxes. There are enough tax problems for potential investment in this province. And there are other taxes in the last few years that have been passed on to business—the employer health tax and others; I do not need to mention them—that have already added to the fixed expenses of businesses. To add a minimum corporate tax and other taxes is only going to compound these problems.

Mr Carr: This morning I outlined the cost of the deficit. You might not have been here. I had the fine people in legislative research prepare data. They, of course, are independent, and they used the actual government figures from Treasury people. The interest on the provincial debt alone in 1994-95 will be \$19 million a day, or about \$800,000 an hour and \$13,000 a minute. By my calculation—we have been here since 9 o'clock this morning and it is now a little after two—we are looking at about \$4 million spent, not to pay for hospitals, health care, education, environmental programs, but just to pay the interest on the provincial debt.

This morning Mr White said that amount was acceptable to him. I think even David Christopherson, when he spoke about it in the Legislature, said it was like getting a mortgage on your home, although I do not go out and get a mortgage on a home in Rosedale if I cannot afford it. But my perception is that this is an acceptable amount of debt, vis-à-vis the revenues and so on. As a business person who has used to taking a look at debt, do you think the amount of debt we are looking at could be considered reasonable?

Mr Roberts: Not at all. I am actually very glad that you provided these figures. I have figures for Canada as a whole, and they are totally shocking.

Mr Carr: Anybody who wants them can have them.

Mr Roberts: This is amazing as well. As we know, when you are operating a business, or whether it is your own personal finances, if in one particular year you happen to spend more than you raise, your banker might let you get away with it. But try doing it two, three, four, five years in a row. The country as a whole has been doing it for 22 consecutive years, and that is not a very good record. It is

not a record which I would like to see this province follow, because as I stated, this province generates 40% of the economic production for the country. If we start to bankrupt this province, it is only going to lead to the eventual bankruptcy of the whole country. It is totally unacceptable.

Again, I do not want my harsh comments to be taken as simply a criticism. I think the business community and the Ontario and Canadian chambers of commerce are very, very interested in being involved in the consultative process. We want to be a part of your discussions. That is why we are here today. We want to be able to work towards solutions that are needed to balance our budget. It has been accomplished before. We need to stimulate investment in this province to be able to raise the revenues to balance.

Mr Lessard: I want to welcome you to the committee, Mr Roberts. I can tell that you have benefited greatly from a good University of Windsor education.

Mr Roberts: Exactly.

Mr Carr: Did you guys go together?

Mr Lessard: Yes, a former fellow classmate. You seem to be a very strong proponent of the balanced-budget philosophy. You understand as well the difficulties of projecting these sorts of things into the future. I wonder what you thought of the last Liberal budget, because they seemed to think they were going to have a balanced budget last year. Did you think that was all right?

Mr Roberts: They projected a balanced budget but unfortunately the province and the country entered into a recession. Those are factors which we cannot always predict accurately. Certainly in the third quarter of 1990 the recession became a public fact, an economic fact, though I think many of us realized we were well into a recession before that. Then is the time you grab hold of your financial statements and your expenditures and begin to take a real good look at them. It is not the time when, instead of maintaining yourself in a \$3-billion deficit, you triple it and go into a \$9-billion deficit.

1410

Mr Lessard: Just carrying on with the programs and policies of the previous government, we would have ended up with a deficit of \$8 billion, according to the information I have. We would have had to take some pretty drastic measures to reduce that. You are a strong proponent that the government should consult business, so let's consider that we are here today to do that. What sort of suggestions do you have for places where those sorts of drastic cuts could be made?

Mr Roberts: It is certainly not my place to sit down, at this time anyway, with your complete list of expenditures and start slashing.

Mr B. Ward: If you could.

Mr Roberts: If I could—

Mr Carr: Freeze civil servants?

Mr Roberts: It is like any business—and we are certainly not suggesting the government has to be operated exactly like a business—you would have to have all the facts and figures in front of you with regard to the amounts being spent on particular programs. I am not going to say to

you that certain social programs should be slashed. I think it is a matter of sitting down and looking at the whole picture. It is like the city of Windsor has done. It is like our boards of education have done. It is like many public organizations have had to do. You realize there are problems in terms of raising revenues and that it is a matter of taking a creative look at what you have and reducing those expenditures.

Mr Christopherson: Mr Roberts, I thank you for your presentation. The responses and presentations we hear from the chambers are always very interesting and articulate.

I think you used the words—I jotted them down as you spoke them—“shocking” and “amazing” when listening to Mr Carr’s statistics. I would suggest to you that some of those tactics really amount to nothing more than scaremongering. The reality is that our deficit will take about 12%, 12 cents of every revenue dollar, compared to the feds, who are now paying 34 cents. We are not suggesting that is the right thing to do, and neither are we trivializing our deficit. But we are saying what we have done is very manageable. It is very much in control, and from where we sit, very necessary.

I think it is also important to note that in last week’s papers it was being suggested that the Tory deficit for this year, rather than being \$30 billion, is now possibly going to be as high as \$40 billion. This means the miscalculation by the feds is greater than our entire deficit. I would also point out that the projections so far made in our budget are almost dead on. Now it is still early in the game, and I acknowledge that, but they are accurate and they are dead on. I think that says a lot about who has a real good sense of fiscal management and who does not. Because it is the NDP, there is this sense that somehow it is disaster looming. We would argue quite the opposite.

In your presentation on page 1, it talks about tax increases only further reducing disposable income. The very first piece of legislation this government put forward in the Legislature was to prevent the provincial sales tax from being put on top of the GST. That kept a half billion dollars in the pockets of consumers. It is a tax that we felt was not appropriate at a time of recession. So the case you are arguing is exactly what we did. Yet there are very few people who are acknowledging a tax move that benefited a lot of working people.

My question to you is in regard to the opposite approach that one would have to take if you did not go down the road we did. In other words, you would have to take the Mulroney-Wilson approach to budget setting and priority setting. Rather than, as Mr Carr has suggested, purchasing a home in Rosedale, the mortgage, quite frankly, was taken out to try and provide for affordable housing in many cases and to provide some basic needs and to put food on the table for an awful lot of people who are hurting very, very much through this recession.

I would ask you, what if we had gone the route that would have put us into a balanced budget and had looked at the necessary cuts and slashes, though there is not that much fat in the system, as much as some might like to argue? What would you say to the construction workers who still would not be employed as a result of the recession because there would not be the anti-recession money?

And to the employees who lost wages because the p closed and their wages were not protected? And to municipalities who told us, if they had not gotten money from us that they did, property taxes—an expensive item for small business—would have gone up? And the disabled?

You mentioned the burden on future generations “which will affect significantly the social programs and other benefits,” and then your last statement talks about “only if we could expect a little less today can we guarantee a bright future for our children tomorrow.” We have disabled groups coming in and telling us they were told they had to wait in good times; now they are being told they have to wait in bad times. How do we answer that to the people if we are not there to help them now?

Mr Roberts: If I may, I want to address some of the comments you made and I will answer your question at the end. I am glad you were able to identify how many cents of each revenue dollar you are projecting will be going towards interest costs. It is interesting to know that 10 years ago Canada was only paying 12 cents of every revenue dollar towards interest costs too, but we have now tripled that in the intervening period.

Second, with regard to the miscalculations which the Conservative government has made, I am sitting here just optimistically hoping that your fiscal responsibility is correct, because indeed if you have erred at all in the calculations you have made and that \$9.7-billion deficit is going to be tripled or doubled as a result of not having accurately forecast the revenues you are anticipating, then we are in very deep trouble, and that 12 cents is going to be escalating as well.

With regard to your decision to add the PST before the GST, I thank you for that and I am sure a lot of consumers will thank you for that as well. However, if we were to have embarked upon the road of harmonizing the collection of the PST with the GST, we would have probably seen billions of them drop a point or two.

Finally, you asked what we are going to say to the construction workers, these employees who are looking for their wage protection, as well as the disabled groups. My question to you is, what are we going to say to those people in five years? What are we going to say to them 10 years when we are spending 30 cents and 40 cents of every revenue dollar towards paying for the interest costs of the benefits we are giving to them today? That is the question.

I would like to spend every cent I make or even spend two or three times what I make, but what am I going to have to my child in a generation from now? That is the problem. I am just asking you simply to look forward, look ahead. I am not stating that there are not certain social programs that you have—

The Chair: Your time has run out. I would like to thank you for appearing before the committee with your comments and presentation.

NATIONAL FARMERS UNION

The Chair: Could we have the National Farmers Union, Mr Pearce. If you would identify yourself for the

oses of Hansard, you have one half-hour totally for presentation and question and answer period.

Mr P. Pearce: My name is Perry Pearce. My assistant is my wife. I think she handed out a rough outline of what we are going to speak on today. It will be quite brief. I think I will perform better in a question-and-answer atmosphere than by preaching. We will get started with the text.

As a farmer and a National Farmers Union member I thank you for this opportunity to voice our opinion. This situation is seldom heard any more in this so-called democratic society. The NFU is an organization which represents farm families across Canada. Our policies address the means of becoming a viable sector in Canada and include long-term plans. As farmers we have been faced with many obstacles and, more recently, the free trade agreement, GST and the recession. These obstacles have not only affected farmers but the average Canadian. We have all lost jobs and income.

As a taxpayer, I am pleased that the Ontario government has decided to address the problems of its citizens caused by the effects of the recession. We realized that a deficit was not a situation a new government wished to begin with and that tough decisions needed to be made. With regard to agriculture, it is encouraging to note that the federal allocation has been increased by about 14%. The provincial budget has recognized the urgent need at the farm gate and the importance of agriculture, which is the second-largest industry in Ontario.

The pre-budget announcement of the \$50 million for farm interest assistance program greatly assisted those in need. Historically, it has been a problem, with April-announced budgets, for the farm community to react in a situation where we have already spent possibly some of our money and are going to the field a week or two after the budget. So these pre-announcements were a real benefit. I really appreciate that.

The high interest rates which this program was directed at are the result of the federal Conservative agenda. This summer the FCC rates, which is the Farm Credit Corp, are 10% higher than bank rates. The bank rate on borrowed money has not followed the Bank of Canada's downturn in interest rates either. Therefore the province, in my opinion, is the only group with a clear plan to assist farmers with this problem. It will enable them to make projections for their farm cash flows. We hope the program continues until the province introduces a complete farm finance package for Ontario farm families.

With regard to the gross revenue insurance program—which we call it in the industry, GRIP—\$40-million allocation, the NFU recognizes the tough decision which was made regarding this program. We did not agree with the federal agenda, the third line of defence proposed, as it still is short and does not address the problem of stable and low cost of production. Already other farm groups and commodity boards which agreed with the federal proposal are confused and have concerns that they may have been misled. This concern was previously pointed out by the

NFU and recognized by the Ontario government. In the future, we believe this program must address the cost of production and may need stronger fund support. Having been forced into this program, we appreciate the Ontario budget allocation of \$40 million pending a better program.

We understand the Ontario government currently has a task force on fair taxation. We applaud this move and hope they will recognize the unfairness of the farm tax reduction program. Ministers from several departments need to address the reason for this program and recognize that it is not a subsidy to the farmer but an unfair education tax which needs to come from somewhere else besides farm families' pockets and perhaps the Education ministry.

Research needs to be addressed by this government. When allocating funds, our ministers need to be concerned that our tax dollars are being used to enhance agriculture for grass-roots farm families and not for the benefit or profit of the corporate sector. We do strongly urge the need for more on-farm research without corporate intervention. The agricultural economy needs a rebuilding phase, and this should be emphasized. The environment has been given an overall budget increase as well and this is appreciated. Again, on the farm side, research has to be done on the farm so that as responsible farmers we can co-operate with any decisions or findings.

The NFU, which has been in existence as a national organization for 20 years, has much to offer this government and we hope that through co-operation we can work together to build a better Ontario.

Mr McLean: How would you like to see the farm tax rebate restructured?

Mr P. Pearce: Presently it is a burden on the people who own the land. Maybe that was fine when land owners were wealthy people of society, but it needs to come off the land and it needs to be a fair tax across the entire society. Whether it is eliminated completely, as an education tax on the land, and is moved to a different arena of assessment, whether it is on housing or whatever, I am not really sure, other than the fact that it is an unfair tax presently. I would like to see some different sectors of the government sit down and discuss where we can obtain this. I know it is a tough one to iron out.

Mrs J. Pearce: Maybe I can add a point. Right now we are having to fork out money which we do not have to pay this unfair land tax. What happens is it goes to the local government and then the provincial government, in turn, refunds it to us. There is just an unnecessary step there. It would be a great help if the government paid it directly to the municipality.

Mr McLean: The question I wanted to ask was, what is the policy of your organization with regard to the tax? Do you have a policy?

Mr P. Pearce: Yes.

Mr McLean: What is the policy?

Mr P. Pearce: It is an unfair tax. If you want to examine history, members of the National Farmers Union started this whole procedure because our membership refused to pay our tax at one time. We were threatened with jail terms because we were not going to pay our land tax,

and the government of the day brought in the farm tax rebate, with a promise that it would reform it. That promise has been going on ever since. So I guess we have great hope that a new government may have new ideas on how to solve this problem instead of just postponing it.

Mr McLean: Thank you, but you have not answered my question. The question was, what policy does your organization have to restructure it?

Mr P. Pearce: What solution?

Mr McLean: Have you got a restructured policy? I am a farmer, so I know a little bit about it, but I do not know of anybody who has come forth with a policy. Do they want just to pay on their house? Do they just want to take the education tax off? Do they want to continue to pay in and get 75% back? Does your organization have a policy that would solve it? That is what I am asking.

Mr P. Pearce: The direct answer is no, because the minute you start changing it, it is going to be a burden to somebody else. We would like to consult all sectors, instead of just saying, "Well, look, I don't want to pay it; you pay it." That is not a very fair system. We would like to see it go through a consulting process. Whether this task force on fair taxation addresses it, I do not know. We will see in the results.

Mr McLean: There was a commitment made in the Agenda for People in regard to tax rebate for farmers. Have you seen that? The government would bring in a policy that would help small business, would help the farmers through these tough economic times with an interest rebate.

Mr P. Pearce: Have we seen the results of it? No.

Mr McLean: The other question I have is, the \$97 million that was programmed to help crop subsidies, which was announced in June some time, I believe, what year is that for?

Mr P. Pearce: I am not sure because part of that is GRIP, which is 1992.

Mr McLean: That is right.

Mr P. Pearce: But there is talk of an initial payment in 1991, so to a certain extent we are robbing Peter to pay Paul under that scenario, which the farm community has trouble with because we are going to need that money in 1992 also.

Mr McLean: But we need it in 1991, and we are not getting it in 1991.

Mr P. Pearce: Yes.

Mr McLean: That is the problem.

Mr Carr: I noticed that page 2 and 3 of the Agenda for People talked about relief for farmers. The relief for farmers that was promised last year during the election campaign has not come through—the interest rates they promised at government borrowing rates and so on. As I look at the amount spent last year in terms of agriculture and food in absolute terms and the amount that has been spent this year, it is one of the few areas that has not had a big increase. I assume, then, that as a result of that you are not pleased with the amount that is being spent for farmers in this province. Is that correct?

Mr P. Pearce: We have mixed feelings. We greatly appreciate the interest reduction, but we also realize the problem is not a provincial-based problem. It is a problem of passing the buck under that scenario. The GRIP, once again, is a federal agenda that the province has been made part of. Yes, we would like a cash bail-out, but so would everybody else in Ontario who is having financial trouble. As farmers and as taxpayers, we realize that it is not an open chequebook, so we appreciate what we got. We would always like more, but the reality is, is it there?

1430

Mr Sutherland: I was just wondering if you could give this committee a little sense of what the farmers are going through here in Essex and Kent county. There have been reports on the news, and certainly those of us who have driven down here, even on the 401, could see how the crops, certainly on this side of Chatham, are very hard hit. Is the problem as severe here in Essex as well?

Mr P. Pearce: The Essex county region, I would say, is probably the hardest hit area of Ontario, maybe Canada, from what I hear. On my particular farm—those who are familiar with farming practices can appreciate this—I received an eight-inch rain at the end of May; seven inches of it just washed right away and down the ditch and was gone, and it makes the soil about as hard as this floor and then no rain until last week. There are some crops that should be destroyed because there is nothing there. There are crops that will be half a yield. Some of the irrigated crops may get close to being 80%, but the bills keep coming in.

We need this problem addressed. The farm community is in the process of discussion right now of how to address it, which avenue, which is healthy, because sometimes the farm community does not always get together and discuss these things. All I can say to this committee is that there will be something coming, a proposal from Essex county. Be open-minded with it and be quick about it. In the past, with the 1988 drought program, it was too little too late. By the time we received the money, we had already spent that money in interest for carrying the extra cost, so we would rather have \$1 now than \$5 next year.

Mr Sutherland: You mentioned the GRIP program. The sense we have been getting from some farmers and people there is that they are still going to remain open-minded, with a wait-and-see attitude on GRIP and the income stabilization account; but what we need is some type of bridging until payments come on GRIP and NISA. Is that your sense of what needs to be done, or do you feel that GRIP and NISA are not going to work in the long run?

Mr P. Pearce: The National Farmers Union has serious concerns with GRIP, because it does not address the cost of production. The way we like to think about it is as an open-ended subsidy, which is always a dangerous tactic because if it is a healthy program today, do you increase production? And in the future it becomes an unhealthy program because it is just overloaded.

The GRIP program is written for 1992 as far as income coming back is concerned. So what do you do for 1991 and 1990? Right now I am living on the profits of 1990 which were very slim. The feds had claimed during the

ussion that they would take care of us. Well, they are and that is a problem.

What the province can do, I have mixed feelings. Sure would like a nice big cheque, but if you write a very rich program for 1991, that sort of belittles the GRIP program, because farmers will say, "Why should I join GRIP when these guys are going to bail me out anyway in tough times?"

Mrs Sullivan: I have just been reviewing the list of year average prices for corn, soya beans and wheat. What we are looking at for corn, in 1991 dollars, the 15-year average price is \$167. This year the price is estimated to be about \$90. For soya beans, the 15-year average is \$137 versus \$207 for this year.

Mr Pearce: Yes.

Mrs Sullivan: Wheat, \$202 versus \$75 for this year. Even those pressures on your product prices, given the interest rate pressures and the requirements for capital expansion, whether it is for environmental matters where you have to put new capital investment into your operations or whether it is for other initiatives, do you not find it outstanding that the government has not yet turned and looked at the realities of farming right now and agreed already and given farmers an indication that there would be advanced interim payments coming forward to carry them through this fall?

Mr P. Pearce: The 15-year average prices I think really meet cost of production. If you look around Ontario farms today, there are very few with new equipment, new tractors and new toys in the machine shed. So obviously we are way below.

An interim payment would be nice. In fact, I think a lot of people are just simply accepting that it will be there, because if it is not, those GRIP cheques are going to burst like rubber balloons, the ones that were issued and dated for November 1. I hope this government hears the loud and clear on this point. Those cheques will not fly without an interim payment before then. That leaves us in a spot where in the first year the program is not going to work. Yes, we need an interim payment badly.

The problem is, if you structure that interim payment to borrow from 1992, what are you going to do in 1992? It is not a simple answer. If it was, I guess we would all be lobbying for the same thing. Really, what we need is a flow of money to address the problem of 1990 and 1991 commodity prices, whether that is federal jurisdiction or provincial. I guess the NFU position is that much of it is federal jurisdiction where the federal government has done a very good job of washing its hands of responsibility for resource industries, whether it is farming, mining, forestry, whatever.

Mrs Sullivan: I think there is a substantial responsibility at the provincial level. The province has certainly agreed to participate in the GRIP and the NISA programs for next year, not for this year. Many other provinces have agreed for this year. Producers could have paid in and received an output this year. But there are also other stabilization programs and there are other things that the province can do, including ensuring that the entire \$50-million interest rate reduction is disbursed, including ensuring that

the beginning farmer assistance program continues so the young farmers are not affected. They have cancelled that. I just—

Mr P. Pearce: If I may interrupt for a second, we were not extremely happy with the beginning farmer program.

Mrs Sullivan: A lot of people were not happy with it, but now it has been totally cancelled and that money is not going out to the farmers. It is not going back to young people who are starting out. There has been no indication that interim payments are going to come forward under grain stabilization plans. There has been no indication that the producer premium is going to be waived this year under Ontario programs.

Mr P. Pearce: The province has announced an interim payment under the provincial grain stabilization.

Mrs Sullivan: Not for this year.

Mr P. Pearce: Within a week, a week and a half ago. At least, I was notified of an interim payment and it has been in the farm papers about interim payment. I agree it does not amount to much, but at this stage I will take whatever cheque I can get. The problem we had with the beginning farm program was we were assisting young farmers to get in. In the meantime we were assisting farmers beside them to get out, existing farmers. It was a double standard.

Mr Kwinter: Throughout your presentation you talk about cost of production. How is that going to relate to things like GATT and free trade? Do you see that coming along as a problem?

1440

Mr P. Pearce: No, I do not, because the Americans clearly do not see it as a problem.

Mr Kwinter: You mean they do not see it in doing it for their farmers?

Mr P. Pearce: Exactly. What is fair for them should be fair for us.

Mr Kwinter: And what about GATT?

Mr P. Pearce: Up until this morning I was not sure whether GATT was going to survive; and after this morning, with what is going on in Russia, I do not know where it is going, because the whole issue of GATT centres around the European common market. If eastern Europe opens up, does the European common market still need the so-called world trade, which really is US-based trade? Do they need it? I do not know. They may walk right away from the GATT table. In the meantime, we have sat here twiddling our thumbs worrying about GATT and have done very little. So I am very confused over GATT.

Mr McLean: I really appreciate your being here today. It is nice to have a point of view from the farm. It always bothered me that people are prepared to pay \$150 a ton to get rid of their garbage and are hesitant to pay the farmer for what he produces and what he works for, and it always bugs me.

The Vice-Chair: We would like to thank you very much, Mr Pearce, and Mrs Pearce—sorry, I did not catch your first name.

Mrs J. Pearce: Julie.

The Vice-Chair: —for coming forward and making your presentation today. We will take a short recess before our next presentation.

The committee recessed at 1442.

1449

MARGARET ROUSSEAU

The Chair: You will have 15 minutes for your presentation, and would you leave some time at the end of your presentation for a question-and-answer period?

Ms Rousseau: My name is Margaret Rousseau, and I welcome the legislative committee to Windsor. I am particularly pleased to be included as a speaker and I am delighted, as an employment equity activist, to be able to express my views on the Ontario budget. I would also like to thank the Conservative caucus for the number of letters that I received inviting me to speak today.

Mr B. Ward: What's this?

Ms Rousseau: I am very pleased to be doing that, and I thought I would just add that.

Mr Carr: We always want to hear from the people.

Ms Rousseau: The shape that my brief will take will be one of viewing this budget with respect to how women, visible minorities, aboriginal persons and the disabled have fared. The many problems faced by the groups I have mentioned are rooted in the historical discrimination that being a member of these four groups has engendered. The ongoing battle for fairness and equity has been lessened by a major victory. This victory was the election of a majority New Democratic government in Ontario. This was the beginning of many victories, from the fairness and equity expressed in the throne speech to the fairness and equity expressed in the government's first budget presented by the Honourable Floyd Laughren.

To term the throne speech and the first New Democratic budget victories, we must look at the battle as a whole. The present Tory federal government has waged a war of privatization, competitiveness, taxation, free trade and general budget chicanery, all of this at the expense of working people across this country. All of the provinces have been affected, none more severely than Ontario.

The federal Tories in the past nine years have committed a number of violations of the public trust. The Tory agenda as seen through the eyes of women, for example, has seen the Tories reneging on their promise for a national child care system; has witnessed the Tories regaling themselves for the half-cent reduction in the wage gap as a major victory; has seen thousands of women's jobs in the textile, electronics and food processing industries free-traded away. Women have witnessed the Tories' decrease in 1990-91: \$1.6 million, a full 15% of the women's program budget of the Secretary of State of Canada. The previous year's budget, 1989-90, was cut 15.3%, to the tune of \$2 million.

The Tory government illustrates its concern for 52% of the Canadian population with funding of a mere 75 cents per woman in moneys to be used for battered women's shelters, aboriginal women's centres and minority women's centres. Compare the total budget of the

women's program spending with the \$14.2 million spent promoting the universally reviled goods and services. An even better illustration of Tory concern for women's issues is to compare the \$9.4-million budget to the government's loan of \$17 million for strip club development. That alone, simply put, shows the low regard the Tory caucus holds for women's issues.

The Tories' headlong pursuit of a trilateral free trade deal with Mexico is indicative of the corporate agenda of corporate government, not a government concerned with its constituents.

We know that in a market economy resources are not equally distributed. We also know that it is the role of a responsible government to redistribute those resources to assist those less advantaged so that they may participate fully in society. The present federal government has shown no such responsibility. Through inflated interest rates, losses due to the free trade deal, cutbacks to the Canada assistance program and a proposed freeze on established programs financing, the federal government has left the Ontario New Democrats no alternative but to bridge the gap created by the Tory made-in-Canada recession.

When one looks closely at how the Ontario budget is crafted, one cannot miss how fairness and equity is carefully threaded throughout its fabric. Beginning with the anti-recession plan, \$700 million is being kept in circulation in Ontario by the creation and continuation of projects to keep Ontarians working. The creation of the \$215-million social assistance reform package provides those hardest hit by the recession an opportunity to re-enter the workforce and increasing participation in the Ontario economy.

This budget provides tax relief for the poorest segment of Ontario's society through the Ontario tax reduction program. This will further raise the quality of life for the working poor, single-parent-led families, visible minorities and disabled, those most affected by inequitable tax levies.

The budget provides \$125 million to transfer agencies so that they may provide more equitable working environments for women through pay equity raises. This, along with the creation of 5,000 child care spaces, will allow more women and working-poor parents to continue to contribute to Ontario's economy. Add to this the \$20 million, a one-third increase in budgeting for women and children who have been victims of domestic violence and sexual assault, which signals clearly to myself and others the provincial government's concern for its constituents.

One must address the \$72 million allocated for 1990-91 in answer to aboriginal Ontarians' demand for the equalization funds formerly denied them. These moneys will be well spent to raise aboriginal people to their rightful place in this province. Add the \$7.5 million proposed for the anti-racism strategy to be implemented province-wide. This campaign comes at a particularly most critical time to Ontario's visible-minority citizens. History has shown that racism rises during times of recession, despite the federal government saying that times are improving for working people. When one totals up expenditures proposed, one is left to consider that, yes, the Ontario New Democrats are a responsible government in this market economy.

In conclusion, I thank the committee for giving me the opportunity to applaud the Ontario New Democrats for

ageous and humane budget. However, I would be re-in not commenting on the roles of the opposition and parties in the budgetary discussions. To the opposition and otherwise, the tactic of likening the macroeconomics of running a province to the microeconomics of running a household is one that wears poorly on the work-people of Ontario. This scare tactic is not one of democratic truthfulness but smacks of autocratic zeal.

The courage and leadership shown by the provincial government in investing in all of its people, not just a select few, bodes well for the future of Ontario and of Canada. John Maynard Keynes, in the *General Theory of Employment, Interest and Money*, stated: "Of the maxims of orthodox finance, none surely is more antisocial than the fetish of liquidity. It forgets that there is no such thing as free liquidity of investment for the community as a whole."

Mr B. Ward: Thank you for your presentation. Did I hear you say at the beginning that Mike Harris invited you to attend?

Ms Rousseau: He was one of the individuals. That letter was supposed to have left in my file at work, but I have a letter from Leo Jordan, MPP. He ends the letter: "Today the government agreed to have public hearings across the province. Please plan to attend the one in your area."

Mr B. Ward: I am sure they are appreciative of your presentation in support of the budget. My question is, we have had some concern from business people that they cannot absorb costs to remain competitive. How do you answer those people when the issues of employment equity pay equity come into discussion and they feel those costs they cannot absorb? How do you answer that?

Ms Rousseau: Very simply. I am faced with this quite often in my job when I have managers tell me, "This is really expensive." I think it is a time in this country when one has to consider that it is an awful shame that business has a cost. If it has a cost, that leads me to believe perhaps that cost is incurred to ameliorate some past problem. Very often that is the way employment equity in this country has been dealt with. They have just simply thrown money at it, whereas in this province we have seen employment equity legislation is proposed. There has been an equity commissioner appointed. We have seen these sorts of things speed up, so they are going to put their teeth in that, rather than just simply decide where corporations file what I refer to as a flight plan for the next few years in regard to equity.

Mr Carr: I talked this morning about a poll which asked people basically if they would like to see any new taxes limiting the increase in government spending. During that poll they asked people who they voted for last time, NDP, Conservatives or Liberals, and overwhelmingly, 75% of the people, said they would like to see some type of controls put in place.

You may have heard about some of the spending that has gone on—\$438,000 to send that one chap down to get rehabilitation in the United States; the TVOntario chairman has nine TVs in his office, he has a chauffeur at \$1,000; all these things that are coming out. Very specifically, do you feel there are any areas in the government

where we can reduce spending, or do you believe the government, as we sit here today, is running efficiently?

Ms Rousseau: I can easily see one: these budget hearings at the Conservatives' insistence. I believe they are costing the province \$250,000. That would have been a ready clip right there. Apart from that one, I would have to spend some time looking at it.

Mr Carr: I sit on the Sunday shopping committee going around the province. The Premier and the Solicitor General have said, "We are not changing anything anyway," and this budget probably will not change. I think I was there the day 4,000 people were yelling at Floyd Laughren on June 20 and he said, "We're not going to change it anyway." But at least the people will have had an opportunity. The clerk informs me we have more submissions to this hearing than we have to any others.

My next question would be this—

The Chair: I am sorry, Mr Carr, we have run out of time.

1500

CANADIAN UNION OF PUBLIC EMPLOYEES, LOCAL 543

The Chair: Laura Moore, please. I guess we have your brief here. You will have 15 minutes for your total presentation. Try to keep some time at the end so each party has a chance to ask one question.

Ms Moore: The Canadian Union of Public Employees, Local 543, welcomes this opportunity to offer our comments on the provincial budget. It is encouraging to see that this government is putting forth a true effort to address the needs and concerns of the people of Ontario.

Our local union is comprised of four bargaining units and represents over 1,200 members employed in both the public sector and the private sector. Our largest unit is the city of Windsor municipal inside workers covering a wide range of jobs including clerical, technical, recreational, maintenance, health care, child care and social workers. We also represent workers of the Windsor-Essex County Health Unit, the Windsor Occupational Health Information Service and the ABC Day Nursery, which is the largest private day care centre in Windsor.

Due to the nature of our work, the vast majority of our members are women. Therefore, the focus of this brief will be on the effects of the provincial budget on the women of Ontario.

Ontario has been struggling through the current recession with enormous plant closures, bankruptcies, high interest rates, job loss and unemployment. The federal government has played a major role in the creation of this recession. The Canada-US free trade agreement is directly responsible for the loss of thousands of jobs, as plants and factories close their doors and relocate their businesses across the border. Despite the obvious damage to Canada's economy, the Mulroney government has failed to learn from its mistakes and is at it again, integrating Mexico into a free trade agreement.

The GST is yet another Tory-made factor in the current recession. Combined with the artificially high Canadian

dollar, consumer spending power has been drastically reduced. The retail industry, especially in a border community such as Windsor, is suffering the consequences. Jobs are continuing to be lost daily with the ripple effects of permanent job loss devastating to the entire economy.

The recent Supreme Court ruling with respect to the 5% capping of the Canada assistance plan is yet another Tory attack on Canadians. Mulroney's deficit-reducing strategy is merely a pass-the-buck scam. The federal government stands to save over \$2 billion a year while Ontario stands to lose \$1 billion in 1991 and 1992.

Despite the actions of the federal government, the provincial government has not abandoned the people of Ontario. The Ontario government's courageous attempt to fight the recession with increased spending is applauded. Spending money now is critical to stimulating economic growth and is a positive step in the right direction. This budget clearly indicates the government of Ontario's intention to fight the recession head-on. The willingness of the government to accept a \$9.7-billion deficit resulting from this budget is evidence of its courage and its conviction to protect the interests of working people and the majority of Ontario citizens in a time of economic hardship.

As a largely public sector union, CUPE Local 543 is pleased to note that the budget did not introduce any overt forms of public sector wage controls. In recent years, we have been barely maintaining our wage adjustments comparable to the rate of inflation. Year after year, little by little, we tend to lose purchasing power. Fiscal restraint should not be at the expense of public service workers and Ontario should be proud to be one of the few provinces in Canada not imposing cuts to the living standards of its employees.

As the majority of Local 543 members are women, we were particularly delighted with the program funding and initiatives announced in the budget pertaining to equality. Increased funding to address the issue of violence against women will enhance and expand the services and shelters available to women and children who are victims of sexual assault and domestic violence.

Improvements to the tax system will benefit low-income families, many of which have single mothers. The development of 35,000 units of co-operative and non-profit housing will provide affordable homes for families on low and moderate incomes.

Employment equity initiatives and the appointment of a commissioner to conduct consultations on proposed employment equity legislation is encouraging. We appreciate having been given the opportunity to have input on the development of this much-needed legislation.

When the Pay Equity Act was first introduced it excluded hundreds of thousands of women from the right to equal pay for work of equal value. With the proposed amendments to the act, 420,000 of those originally excluded will soon benefit from pay equity.

With the proposed amendments to the act, women in all-female workplaces will be able to use proxy comparisons or proportionate value comparison to achieve pay equity. What does this mean to our members locally? It means our undervalued day care workers at the ABC Day Nursery, which is an all-female workplace, will soon be

able to use proxy comparisons to address the systemic discrimination their occupation has suffered from day on day.

Although the proposed amendments are not yet law, we were successful in using the proportionate value comparison method for our female workers at the Windsor Essex County Health Unit. During our recent negotiations it was argued by the employer that there were no pay inequities simply because there were no comparable job classes. However, after the proposed amendments were introduced, we utilized its potential to convince our employer that the pay inequities must be addressed. We settled our pay equity plan using proportionate value comparisons within the bargaining unit, which resulted in 89% of our female members receiving wage increases ranging anywhere from nine cents to \$4.79 an hour.

Although we were fortunate to achieve success using the proposed amendments as a bargaining tool, a draft bill must be brought forward immediately to address the hundreds of thousands of women still patiently waiting to receive the wages they deserve. This draft bill is critical to the women of this province and we cannot wait patiently much longer.

The \$100 million allocated in the budget to assist public sector employers with the cost of pay equity adjustments will help to secure the jobs held by those women. The threat of contracting out our jobs to avoid paying our members what they are truly worth has become a very real threat. The funding will lighten the burden on municipalities and public sector employers but, more important, will provide a sense of security for women in the workplace.

The government should be commended for its commitment of funding for the Pay Equity Clinic, which will assist unorganized women in achieving their rights to pay equity. To ensure compliance with the act, the Equal Pay Coalition lobbied for enforcement improvements. A recent Globe and Mail advertisement for 13 pay equity review offices is proof that the provincial government is listening to the voices of the women of Ontario.

In conclusion, I would like to say that equal pay for work of equal value is a fundamental right that all women in workplaces should be entitled to. The provincial budget commitments are exactly that—commitments. It is obvious that this government is truly committed to equality by putting its money where its mouth is.

Mr Carr: Thank you very much for your presentation. In the province today, businesses, households, everybody under pressure to do more with less and trying to be more efficient, to cut back here, to work in different areas. What do you say to those people in the private sector who say public sector employees should do their bit in terms of taking less in pay? What do you say to those people who are saying, "We have to take 3% this year," or the Algoma workers who have to take pay cuts? What do you say to the people who are saying, "Why can't the public service do it?"

Ms Moore: I say to them that the bag of milk they pay \$2.99 for at A&P is the same bag of milk we have to pay \$2.99 for. If it is costing them that much and it is costing that much, then we must maintain the same rate of inflation to survive. I do not believe public service employees

d have to carry the burden of a recession strictly as we work for the public.

Mr Carr: I guess some people would say if we did spend as much money, for example, on the public service increases we might be able to offer tax relief to single women or whatever. It is not as if that money turned back. In these times people are saying obviously the goal of every union is to try to get more for their members, but in this day and age the money saved could be used to help those who are less fortunate. You do not think that as being an area we could have looked at, taken \$1 billion and frozen it or even put it at 2% for the public service, and then given that \$1 billion back to some of these disadvantaged, to help the Algomas? You do not see that as being an option they could have looked at?

Ms Moore: No, I do not believe the option should at any time be on the backs of public service workers. I believe we are entitled to the same rights and privileges as any other worker and we should not expect private sector workers to take cuts in their salaries for us to be able to afford a brand new car, for instance. I do not think it should be expected of any worker to suffer in the time of a recession, or at any time for that matter.

Mr Sutherland: I notice your local represents a lot of municipal employees, day care workers and most of the employees of Windsor employees. I am wondering what you feel the impact would have been on your membership if the government had decided to provide a 0% increase in trans-fer payments to the municipalities, and more specifically to the municipality of Windsor?

Ms Moore: Most definitely that would have meant major job losses for Local 543. We went through a very difficult budget session with our local council in April and May of that was because of the increased costs of social services and welfare. It was the first time we realized that jobs were at stake because of the lack of funding coming down from the federal government and the provincial government. Had we not received the moneys, we would have had some major job losses in the public sector which in essence would hurt the entire community of Windsor.

Mr Sutherland: Were there any job losses as a result of the final budgeting process?

Ms Moore: We lost no full-time positions, but we had some major cutbacks in what we would consider to be reasonable help. Because of that, the city has become—how do I say it—the quality of the upkeep of the city has dwindled.

THIRD WORLD RESOURCE CENTRE

The Chair: The next group is the Third World Resource Centre. For the purposes of Hansard, would you please identify yourselves? You have 15 minutes.

Mr Dei: My name is George Dei and I represent the Third World Resource Centre, but I am also here as an academic, a concerned citizen and obviously as a person of colour.

Mr Handsor: My name is Warren Handsor. I am with Windsor West Citizen's Organization. George and I came up today together. I will be speaking right after George.

Mr Dei: I am not an economist and I would like to leave the figures and statistics to my friend. Actually, without any stretch of the imagination, I think what we see here in this budget is an attempt to make some rare increases in government spending to back up a commitment to a fair and just society. As a critical social scientist—I am also a sociologist and anthropologist—I am particularly concerned with the social issues and implications of poverty. I think it is very refreshing to note that we see a provincial budget that does not attempt to blame the poor for their problems as if poverty is an independent variable.

Obviously, in the midst of the worst recession in 50 years, what you see here is a government that is trying to fight the recession, rather than fight the deficit, through things like the increases in social spending and the attempt to minimize some of the tax burden for the poor. We can read into this an attempt by the government actually to know that the poor are the hardest hit in terms of economic recession. To me it makes no sense, really, trying to fight a recession or the deficit on the backs of the poor.

There are a number of studies which have been conducted in our country which basically point to the fact that our society would like to see some more spending in the area of education. I am more interested in talking about the question of pay, employment equity in education, and also the question of education as a stability in some of our post-secondary institutions.

A recent study which was done by OISE, the Ontario Institute for Studies in Education, made the point that Canadians would like to see some increased spending in education at all levels—secondary, post-secondary, community and so forth—and I think there should be an attempt to make these increases very real so as to benefit those who are the hardest hit in our community. Sometimes we hear, "Where are we to find all these increases?" I would say that, in finding these increases, there must be a fair distribution of resources and also an attempt must be made to trim some of the fringe benefits of the most powerful of our society rather than try to fight or make some increases on the backs of the poor who, incidentally, are the hardest hit by some of these unfortunate situations.

To focus on the question of education and the budget as it affects somebody like a person of colour, in the question of employment equity and education: We have seen over the years that some colleagues, especially some of the minority colleagues, have been leaving and going across the border because there has been no attempt made to get them into the system. What we see here in this budget is an attempt to remove some of the systemic barriers in the three areas of recruitment, retention and promotion of minorities into the educational system.

In the past, basically we had the focus on recruitment. You get people recruited into the system. Sometimes they hold one- or two-year positions, on contract basis, and then they have to leave. I think this is beginning to change. I have been teaching at the University of Windsor for the past three years, on contract. Unfortunately, I did not get a

tenured job at the University of Toronto this year. My situation is not unique. It has been the story of most minorities I have come into contact with. Sometimes we are employed on contract basis just to hold positions for a year and then we have to be let loose, without any attempt made to retain us into the system.

What is happening with the affirmative action programs which have been initiated because of the budget increases is helping not only minorities, in terms of visible minorities, but also women. I work at the University of Windsor. We do have women who are entering the university and faculties and this is a good sign not only for the stability of this country, but also in terms of questions of race relations. I teach students at university who come up to me after lectures and tell me, "George, you don't know how happy we are to see a face like yours here," and I think this is something we cannot dismiss. People are really asking for some measures to be taken to become part of the system, not only to be empowered, but to feel they are part of the system and not to be alienated in terms of their working or the financing of the system.

The question of education as a stability: I think what we see also in this budget is an attempt to open new doors for minorities by addressing some of the issues and concerns in the area of education. I think there is a recent surge in the area of anti-racist education, and if you look at some of the campuses, universities and colleges, there has been an attempt made to create these anti-racist education positions, and the attempt here is basically to address some of the issues which have to do with race and racism in education. I mentioned the position I have just got at the University of Toronto, which is basically in the area of anti-racist education. There is no doubt that this has come because of the funding provided by the government in order to promote these areas in our educational system.

The main point I want to stress is that when we talk of the poor and the problems of the poor, I think there is no room for any partisan discourse or debate in terms of providing money for the poor or improving upon the predicament of the poor. It makes no sense to me, really, in a recession, to attempt to change social assistance. I think, given the finding that the poor are the hardest hit by a recession, the attempt should be made really to make significant increases—not only in giving them tax breaks, but also providing programs and structures which will make them feel they are part and parcel of the system we are all part of.

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I would like to conclude with a couple of things I think maybe can still be addressed in future discourses. First, I think we all recognize a need to ensure that the minority populations we have are not marginalized in the system. But it raises a challenge, and that is, how do we ensure diversity in our schools at the same time when we have cutbacks on the part of the government? You cannot have diversity and cutbacks at the same time. If you are very sincere about promoting diversity on the campuses and in the colleges, then I think there must be increased funding. There must be a way to find the funds to provide for the diversity.

Last, I think strategies also must be in place to encourage educational funding from the private sector. The private

sector tends to benefit from educated graduates, and government must try to come to some sort of agreement with the private sector to make them contribute fairly sharing some of the burden. I do not see any attempt being made to address the question of high dropout rates in schools. We do not know anything about the problems in the high schools. It is just happening in the universities the second year some of the students drop out. The reason they drop out is not because they do not like school, it is because they feel very alienated in the system. There are no strategies in place to make them part and parcel of the system. I think we need to address these issues. Thank you for inviting me here.

Mr Carr: Thank you very much for your presentation. I have concerns that I have heard from the average working people, of families that are out there. I think in this day and age people know that deficits are tied to taxes, and we know we are in the most heavily taxed province in all of Canada. One of the concerns people have is that when they see these large deficits, they say, "I know it not only means there's not going to be any opportunity for tax relief, there also will probably be increases." I am talking not only about the average person. Hopefully there will be the programs to help some of the poor and the seniors and so on, but the average man or woman working out there is saying, "Aha, all this deficit means is that somewhere down the road I'm going to pay higher taxes and I'm going to be the one to get it." What do you say to those people who are fearful about tax increases as a result?

Mr Dei: Yes, I think we need to give the appearance that the success of this country really depends on our stability. I think our country needs to be stable. To get that stability, it may come to a point where there has to be an attempt made to make certain increases. Whether it is in the form of taxes, my only objection, really, is that the increases have to be very fair and that those who can afford, those who have the means or those who benefit the most from the system are made to contribute their fair share.

Mr Lessard: You seem to focus a great deal of your presentation on education. That is an area where there have been some increases reflected in this budget. However, there is some criticism saying, "How do you measure the payback on these increased contributions to education? Even if we do get a payback, it is going to be so long-term that maybe we should take a second look at those sorts of expenditures. Could you address that concern?"

Mr Dei: I think the question of payback in education is something you cannot measure in the short term, as is rightly pointed out. I think those who raise that objection do so because they want to see what we call quick-fix solutions. Like I said, I think education provides many benefits to our society. Whether we are administrators, educators, workers or single mothers or parents, we need to get the message across that we cannot measure the success or benefits of education in terms of just dollars and cents or what we have before us. It needs to take time to mature. It needs to take time to let yourself be first throughout the system. We need to get this message across to people.

When the public gets this message, it likes to respond. I said in my presentation, more and more studies are showing that people are prepared to pay for education. I have some question as to where the money is going, whether the money is going to the right people, the people who need the money the most.

Mr Sutherland: There not being a lot of tenured positions available is pretty commonplace in the post-secondary education system, but I think it brings up another important point in terms of how employment equity really feeds into a healthy economy. It is only in a healthy economy where you have people changing jobs a great deal and where you can start to make your workplaces more reflective of your community. Particularly when you are talking about the public sector, of course, we need a healthy economy so we can have more resources to have more tenured positions coming in. That is going to be our real challenge in the next few years. We will have inflation, but in order to make it work effectively we need to get the economy going so positions are opening up in due time.

WINDSOR WEST CITIZENS' ORGANIZATION

Mr Handsor: Members of the finance review committee, I would like to thank you for inviting me to speak today on the government's 1991 budget on behalf of the economically disadvantaged in Windsor, as the budget relates to them.

It is my intention to highlight a few of the items within the budget, namely housing, employment equity and the social services review reforms. I would like to point out that although I will only be focusing on these three specific items within the budget, it is very clear that the budget, like the budgets, provincial and federal, has an impact on every one of us. If only we can make aware that segment of the population that is only too often left in silence, whether it is because of race, gender, physical disability, place of origin or socioeconomic disposition, that political leverage and economic leverage within our society and that you must draw from your peers to stake out your rightful position within society where, in the process of change, greater equity is achieved for all of society.

The allocations in the budget in regard to housing, employment equity and social services reforms are provided for bringing about greater equity to visible minorities, where the taxpayer is asked to view these expenditures as an investment in the economic growth of Ontario. The minister responsible for the budget, in his opening remarks on greater equity, states, "Our social programs help give people the confidence to meet the challenges of economic change and participate fully in our economy."

Throughout my argument in support of the expenditures allocated to these three areas, I will be attempting to point out that there are real needs for these particular expenditures. However, unless in the delivery of those social programs efforts are made to contract and empower that segment of the population the government hopes to affect, then it would be unrealistic for the government to expect taxpayers to perceive those expenditures as an investment within the process of producing the social goods and

services, that same segment of the population is not made responsible for value added to that product. In my support for expenditures in these particular areas there did not appear to be any real commitment to developing concrete linkages between the various ministries and the social agencies where their primary responsibility is delivery in order to avoid duplication of services.

I also have some difficulty with the notion that government on one hand is recognizing the importance to merge social and economic policy, but in retrospect does very little in terms of these expenditures to begin a process of consultation with the private sector to develop new and innovative ways to improve the social welfare system in Ontario to make it economically sound and viable.

The first item I would like to look at is affordable housing. As a community worker and advocate for decent and affordable housing, this is welcome news for the many families who find themselves having to live in substandard housing where they have conditions of overcrowding and poor services in the private sector. This is particularly true for single dwellers who find themselves locked out of the private housing market due to high rents and discriminatory practices where alternatively they are having to turn to motels, boarding houses and in some cases rest homes to meet their daily shelter needs.

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I think it is fair to say that Windsor is beginning to see an affordable housing market develop as a result of the progressive housing strategy that has taken place in the province over the last few years. But there is still an inadequacy in the supply, and the level of need is still there. I think we need to move in that direction. We are making good progress in that area.

However, I do feel that as a result of the increase in the number of units being built, there seem to be more adequate regulatory procedures that should be adopted, such as a consolidated waiting list. We know there is a need out there but we want to make sure we know who are the people who are looking for housing. A consolidated list means that when non-profits put their housing up, or co-ops, and we are subsidizing that housing, we do not have person number one on two different lists. We want to consolidate those lists so that the system becomes a lot more efficient and we are able to identify who the homeless are or who are those who are really in need of housing.

That is one thing I certainly would like to see come in. I know the previous government was looking at bringing in a consolidated waiting list. We in Windsor are still waiting for that consolidated list to happen. I think it is long overdue.

Another sector of the social housing program which is beginning to get some attention, but certainly not enough when you consider the amount of dollars being put in the system annually, is the current state of the public housing stock. I have been involved with CMHC in the consultation process when it was beginning to review the public housing stock within the province. We need to see some real changes there. We are talking, on one hand, of building more social housing, but we have major problems in one segment of that social housing, which is public housing,

and the problems have not been addressed. We really need to begin to address those problems.

There are a lot of things you can do with that particular housing stock. One of the ideas tossed around is that maybe the government should look at turning the property over to non-profits and co-ops. We are not getting enough action out of the federal government or the provincial government in this matter.

Where I live, which is the west side of Windsor, I am involved in the redevelopment of a particular project. We seem to be pushing residents to deal with just the physical aspect of that project and not with the social and the other problems that are very inherent within it. This housing is all geared to income. There is no mixing whatsoever. There are some real problems. The residents in that area are very much up to the challenge of addressing that problem, yet it has fallen on deaf ears because all they want us to deal with is the physical. If you are going to deal with the physical, you might just as well go ahead and make the decision on your own and forget about consulting with the people who live there.

I also remember in the last government the honourable John Sweeney, when he was the Minister of Housing, had strong feelings that we begin looking at home ownership rather than just looking at subsidized housing. I strongly support that. I think we should begin to look at more home ownership, whether through co-ops or through looking at how we can make housing more affordable so people can own homes, especially for the working poor who have no vision of ever owning a home. We should seriously look at that.

CMHC is also looking at the possibility of decreasing the down payment. Where we are now at 90% financing, we may go to 95%. I think that is a move in the right direction so that we can get people into owning their own home. In that respect, they are seriously looking at home ownership for the working poor as a viable option to subsidized housing.

Another point I would like to make is with respect to employment equity. Visible minorities require real job opportunities that pay decent wages and provide a greater degree of job security in the primary labour market in both the private and public sector. Many of the target groups are underemployed in secondary services and manufacturing industries which have very low standards and poor wages.

In the public sector it is very difficult to break in at the entry level due to restrictive recruitment policies and procedures. You find yourself applying for an entry-level position and waiting two to three months for a first interview at which time, if you are lucky, you are placed in a pool or short-listed, and then it could take one to two years before you ever get called. At that point, you would have to determine whether it would be worth the risk of leaving your current position regardless of the working conditions you are in when you know full well that your government position may only be part-time or temporary at best.

Many people are frustrated with the public service hiring and recruitment procedures. The employment of a commissioner to review and make recommendations is long overdue and will be welcomed by all of us who have had similar experiences with the system.

I would like to speak a little bit on the social assistance reforms, where \$250 million is going to be put into the system. Before I begin to comment, though, on the social assistance review measures that the government intend to implement based on the Transitions recommendations coming out of the Thomson report back in 1988, I would like to take a moment just to congratulate the advisory group on new social assistance legislation for its report, *Back on Track*. I was very much impressed with the report and the actions taken to get the recommendations made in the Transitions report up and moving. I further recommend it for reading to anyone who feels that our welfare system needs an overhaul.

I would also like to add that after all my years having to rely on the welfare system, and in later years working with the staff of the Ministry of Community and Social Services office here in Windsor, I can tell you they work under a great deal of stress. They have very difficult time lines they are trying to meet and extreme pressure from within and outside the bureaucracy. Given that, it still remains one of the most pleasant and caring ministries in its work that I have ever come across.

I would like to address the issue of delivery of services. There are several actions being recommended by the advisory group, from setting up pilot projects in self-declaration of individual need to the direct deposit of benefits into a bank account for the client. There are too many issues here to go into at great length, but it is worth pointing out that all the actions being recommended are designed in such a way as to provide greater self-worth for the client and to make the system more time-saving and efficient. In this way less time is spent on the eligibility question and more time is spent in getting the client job-ready, equipping the client with adequate skills and training in order to re-enter the labour market. The one concern I would have is the way we attempt to purchase jobs through short-term contracts where after six months to a year on the job the client ends up back on the welfare system.

The other issue is the issue of empowerment. One of the key recommendations under the issue of empowerment of welfare recipients is setting up a council of consumers and the establishment of self-help groups. It is my view that these two recommendations are fundamental to the reform of the social welfare system as we know it today. I certainly share the view of the advisory group when it says, "People who are receiving social assistance...and those who have received it in the past have a special perspective on the system." The council of consumers would function in an advisory capacity to the provincial government.

The funding of neighbourhood self-help groups is a long time coming. There are several local groups in Windsor, such as the Windsor West Citizens' Organization, which work in promoting community and creating self-worth among those people through greater participation. The supports to employment program is a very good program. Many people who are on assistance are getting involved in STEP. It is beginning to work. People are talking about it. It is very positive and that is one of the key work initiatives being highlighted in the *Back on Track* program. Thank you.

Mr Lessard: Thank you very much, Mr Handsor, for presentation. You certainly touched on a broad range of issues in your presentation. I just want to focus on one with respect to the Social Assistance Review Committee reform recommendations. We have heard a lot of criticism with respect to the budget and our policies generally, especially from Diane Francis, who writes for the *National Post*. I am sure you are probably familiar with some of the things she had to say with respect to social assistance benefits in Ontario. Her arguments are that we need to tighten it up, that it is too easy to get social assistance. Why work unless you can make over a certain amount of money, the system is rife with fraud and we need to make some changes because people are taking advantage of it. You seem to have a good sense of the social assistance system. What is your sense of it? Do you think there are a lot of people who are ripping off the system and that we need to make some drastic changes?

Mr Handsor: I do not think there are any more people ripping off that system than those ripping off the tax system when you pay your income tax, or the banking system, the political system or any other system. I am sure there are, and I do not think they should be targeting in on the welfare system as a place where people are ripping off. I do not see that as a major concern.

Ms M. Ward: I just wondered about your organization. Obviously you are involved in advocacy work and so I wonder if you could tell us a little bit about your organization.

Mr Handsor: We certainly work a lot with people on assistance and the working poor. We work on a lot of initiatives in getting people to build a lot of self-confidence in themselves. We also look at the various services that people have access to and, if those services are not available, we try to make those services available for our membership. Most people who are within our organization are poor people—working people on assistance, people with disabilities, black, you name it. There are a lot of ethnic immigrants within our organization. We work together trying to resolve some of the problems we have, and we are working on some new initiatives so that we can look at possibly enterprising types of situations where they can get involved and become a lot more assertive about who they are. Certainly, the majority of our membership comes from public housing and we are also dabbling in the concerns with respect to housing and we can make that system a lot better.

Ms M. Ward: And the people themselves on these social services are actively involved.

Mr Handsor: Certainly, yes.

Ms M. Ward: That is very encouraging.

Mr B. Ward: I have a quick question on your views on housing and the availability of home ownership for lower-income people. You stated that the ability for them to purchase a home should be examined by all levels of government, I am assuming. Was that intention meant for increasing public housing stock or were you looking at new

homes, new housing construction to be made available as much as possible, or a combination of both?

Mr Handsor: I think a combination would be great. There is a lot of stock, the stock is there, and they are really looking at ways to make that system work. That housing was built back when they were building massive housing and just putting it there. Communities evolve out of that particular stock and you have to really begin to redesign how those communities operate. You seriously should be looking at that stock, but it also requires some combination with some new stock as well. A combination of both would be great, but I think seriously looking at that stock needs to be addressed and needs to be addressed now. With our project here in Windsor, we are still waiting to hear back from CMHC as to whether or not it is going to come on stream and get involved with that process. We need CMHC. They certainly are, as you know, owners of that property as well, with the province, and all the responsibility should not be on the province.

Mrs Sullivan: I was very interested in your presentation. You had some very interesting points to make and I think many of them made us think about agencies operating in our own communities that are facing similar problems and have reached similar conclusions. I am interested in looking at the social assistance dollar figures. Over the past, I think, three years they have quadrupled. In the past two years they have gone from \$2.5 billion to \$5 billion. Is there a better way? Would a guaranteed annual income be a better way?

Mr Handsor: I am not sure. I will be quite honest with you. I do not know at this point whether I can answer your question. I know the system is getting costly and I think we need to do some serious reviewing of that system and look at some alternatives. So a guaranteed income could be one of the other possible alternatives that we should be looking at, but at this point I could not give you a yes or no.

Mrs Sullivan: Are you seeing STEP kicking in at all in your area?

Mr Handsor: Certainly.

Mrs Sullivan: Could you describe whether that is working.

Mr Handsor: It is working because a lot of people are getting into STEP. You see the numbers; the percentages are going up. I know just from my own personal experience when I came on to STEP, when I was on assistance, my benefits cut in half to where eventually they were not there any more. A lot of people are getting into that program; it is very beneficial. What is nice about it is that a lot of social agencies are bringing a lot of people on to STEP and they are finding good, solid jobs. So, it is working; STEP is a very good program.

Mrs Sullivan: How are you finding the availability of training for people who are entering STEP?

Mr Handsor: I am not seeing much training other than through the colleges and universities. Many of the people who are going into STEP, you understand, have a level of high school education, some of them post-secondary. In

terms of education and training, many of them have chosen to go back to school, get some upgrading and do some training through the universities and colleges, and then they are able to get into STEP.

As for any direct training going on, I am not sure of any really progressive training taking place in the social services other than maybe some work activity programs; and you are getting some semiskills there, which are working pretty good. But I think the real impact is when the recipient himself takes on that responsibility. I can tell you it is wrong for anyone to think that is not possible. Many of them are taking the responsibility very seriously, and they have similar concerns to most Canadians.

Mrs Sullivan: Your comments on public housing, I thought, were very interesting. Certainly in my community we see people who are involved in public housing for a short or for a longer period of time now, because of some enlightened management, who are becoming involved with the management of the projects themselves and with community organizations that are tackling not only the financial side but also the social side of public housing developments. Do you have any of that happening here?

Mr Handsor: Right now we are in the process, as I said. The local housing authorities are beginning to look seriously at residents and tenants—we like to consider ourselves as residents—at what type of involvement they had. But we have not had anything concrete in terms of management. If I am answering your question correctly, there is nothing concrete yet. We are working in consultation, but it seems that every time we start dealing with the more social and management issues we are sidetracked and we are asked to pull back and just get into the physical. So, there is some resistance there to allowing tenants to get too involved, which I find very discouraging because I think that is where the real solutions lie, with the residents.

Mr Carr: Thank you very much for the fine presentation. One of the concerns that have been voiced with regard to housing is that for a variety of reasons over the last little while, the private sector has been pushed out of housing, and as a result the government has had to jump in. If you look at the amount that is spent on housing, that is one of the big increases and why some of the deficits have risen, because the private sector has jumped out. People need homes, so the government jumped in.

When you look at it on a per-unit basis, the cost of so-called non-profit housing is virtually double what it is when the private sector puts them in. I was just wondering how you see us controlling costs in the non-profit housing area. Any suggestions that you can see in that area?

Mr Handsor: If you are talking about construction costs, I certainly could not answer that. I think the real cost saving you are going to see is in maintenance of the non-profit co-ops and any kind of housing. I think you can see some real savings if you involve the residents living in the areas. These people are very capable of taking care of their own properties. I think the philosophy behind the co-ops is certainly that. They are seeing a cost saving in terms of maintenance and management with respect to working to

keep costs down. I think we are seeing that being done the co-ops and non-profits.

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Mr Carr: I was talking about the actual building costs, but another area that is of concern, of course, is the dramatic increase in the social assistance cost. A lot of people, after the last recession, thought we would see a decrease in social assistance as the economy picked up, because I think in 1985 all the way through to this current recession, Canada had the strongest growth of all the industrialized nations with the exception of Japan. So the figuring was that we would see a decrease in social assistance. That did not happen. In fact, what happened is it stayed the same and there is more coming in.

There is a strong feeling that what you have to do to get people off social assistance is give them the training and retraining and apprenticeship programs. I think you said that is what most people want. I think everybody believes that, and most people when you talk to them they say, "We do not want social assistance, because even if I cannot survive with my two kids," or whatever the reason may be. "I want to have a productive, high-paying job, but I do not have the skills" for whatever reason.

My feeling is that what this government has to do in the long term is really put an emphasis on education and retraining. My personal feeling is that the skills we give people will in the future be in direct proportion to the standard of living we have, if we give them good skills now. Wayne, I think, has just been promoted to parliamentary assistant for colleges and universities and has a vested interest. I was wondering if you could see a better way of making sure that we give the people, first of all, the training they want, the training they need that will then get them off social assistance, which is what they want. Are there any hard, concrete steps that you can see the government implementing to help do that?

Mr Handsor: Again, I am speaking in very general terms, but I think they talked about empowerment, and I talked about empowerment, I talked about contracting. It is very important that you determine what people's needs are in terms of what they see they need. Once they can identify with what the skills are that they want, there is a matching process that has to work, too, and I also think that we need to work stronger, better with the private sector. I think we need more of that. We need matching up a lot better, we need to identify. If we are talking about economic growth, we have to look at really early indicators, and say: "Well, that's where the skills should be going. These are the industries that are opening up. These are the growth industries."

You could start acquiring some of these skills, then you could start looking at moving into those industries rather than wasting your time on skills that would become redundant two or three years down the road. I think we just have to work closely together with the private sector and look at ways of identifying those growth industries and where the jobs are going to be. I think that will certainly help in that respect.

Mr Carr: Some of the people in my region say that the ideal situation was where you would go in

body's home, sit down with them and assess their needs, look at whether they needed life-training skills, all the skills that were necessary. They say to me now that they are a little bit concerned because, of course, they are doing the in-home visits. We put these programs in place but the numbers are such that they cannot do it. It is in theory but now they are cutting off one of the places where they would take the time for these in-home visits. It is a nice philosophy, but the reality on the front is that it is not happening; too many people are just getting a quick run through; they are getting the money and pushing them out.

Like most MPPs, during this period when I have tried in the Halton region, I have found we are getting calls to our offices because people cannot get through. I mean, they are that backed up. I see that in the long term we have not done anything. That is why we need the cooperation of people like you who can say, "This is what has to be done," because quite frankly what they are doing is that by taking away home visits they do not get time to spend that they need to really assess. Maybe I could just comment.

Mr Handsor: There seems to be some misinterpretation of home visits. First, you have income maintenance workers. They do home visits. They do not spend the time. They are in there to deal with the eligibility question. I have seen some of the recommendations that are made in Backtrack talk about speeding up the qualification part of it, dealing with the skills and the real development of that individual. More focus is done on that, and it should not be the same person. I know from Transitions and the SARC that they talked about that. But I think you are going to see a lot of innovative ways on how you can get around a lot of those home visits which do different things to different people.

CAW COMMUNITY DEVELOPMENT GROUP

The Chair: We will now move on to the CAW Community Development Group, Marcel Lefebvre, executive director. You have 15 minutes for your presentation.

Mr Lefebvre: My name is Marcel Lefebvre. I would like to thank this committee for the opportunity to present views of the organization which I belong to. I know it has been a long day and hopefully the information I give will cut down the time as much as possible.

I am here representing the CAW Community Development Group. We are a non-profit resource group working with the government and private industry to provide safe, affordable rental housing communities for the people of this province. Our organization has been developing housing for the people in Ontario for the last five years. At the end of this year we will have constructed over 500 non-profit and co-operative housing units across this province. We will have completed over 1,000 units by the end of 1992 and at least 1,500 units by the end of 1993.

As you can see, the majority of our development work and expansion of our resource group began under the previous provincial government; and fortunately for the people of Ontario it is being continued by the current government. The CAW Community Development Group

is a member of the Co-operative Housing Federation of Canada, of which I am the president, the Co-operative Housing Association of Ontario and the Ontario Non-profit Housing Association. We have two branch offices which are located in Mississauga and Windsor.

The recent state of housing report demonstrated that the need for affordable housing has increased over the past decade. There are currently over 100,000 households on waiting lists for non-profit and co-operative housing. The report established that there are over 477,000 Ontario households in need of affordable rental housing. This only includes households that are currently paying in excess of 30% of their income towards rent. We see no reason for this trend to change unless drastic measures are taken.

Many communities like Windsor have been extremely hard hit with layoffs and plant closures. As a result, it is increasingly more difficult for people in this community to afford decent accommodation in the community in which they live. Our organization alone has waiting lists of 2,341 people for the county of Essex and 433 units for the Chatham area. These include singles, families and seniors seeking affordable housing.

We understand that most government sectors are requesting continued or increased funding. However, it must be understood that affordable housing is a basic need required by all people of Ontario, a basic need which is being threatened. If we wish to see our economy get back on its feet, people need the security of an affordable home environment from which to operate.

Due to this government's commitment to housing, the Homes Now program and the deadlines established during the previous government have been extended, and we will be able to construct the following units over the next year: Ser-Rise, 50 units for singles; John Moynahan co-op, 66 units for families; Ryegate co-op, which is in the town of Tecumseh, 50 units; Mariner's in Leamington, 50 units; Labourview in Chatham, 45 units; Union Village in Brampton, 137 units; Dan Benedict co-op in Mississauga, 147 units; Oaklands in the town of Oakville, 137 units; Glen Oaks co-op, 140 units in Oakville; and 37 units in Barrie.

This government has also made a commitment to build 10,000 new units per year across Ontario. This will greatly benefit all communities as they struggle in these hard times. Please note that even this amount of units will not solve the drastic need before us, but it is a positive start. It clearly demonstrates the current government's appreciation of this problem in our changing economy.

As an aside, I would like to mention the indirect benefit to the construction industry of over 22,000-plus person-years of employment which will be created by this new housing program. We support the current government's position that building housing and increasing work to the construction industry will help Ontario get out of this recession. Our resource group alone will have created more than 3,700 person-years of employment between 1986 and 1993.

As the president of the Co-operative Housing Federation of Canada, I have seen clearly the federal government's position on housing. I would like to speak briefly to the problems arising on the national scene with respect to housing and how it affects us here in Ontario.

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Since 1986, the federal government has been backing out of housing, announcing, as an example, 5,000 co-op units per year in 1986, and this year only 1,500 units across the country. They also have reduced their commitment to the federal-provincial program by 30% in the last two years. It is easy to see by this that the federal government is leaving the responsibility for housing up to the provinces. Ontario has understood this challenge and has increased its commitment to housing.

Another victim of decreased or sporadic unit allocation by the federal government is the collapse of the resource group network across the country. Without consistent allocation or funding, many resource groups have ceased to exist. The impact of job loss on local communities is only one of the many consequences, for it takes years to set up the proper infrastructure necessary to build quality affordable housing. If the resource groups have to re-establish themselves, many smaller communities will suffer, even if new programs are announced.

The Ontario government has demonstrated its commitment during these difficult times and, as a direct result, a system will be in place to deliver new programs and build housing as our economy improves.

I just want to say—and I know it is not in the points you have here, but I tried to write it down because people asked for it so that you would have research—that I am very proud to be living in Ontario. Being the president of a national organization, when I see that in Newfoundland and Nova Scotia and so on they get four units of non-profit housing for a whole year, it really makes you feel that we put a human touch into it. I could not put that in the words that I wanted to say. A month ago I was in Newfoundland and I saw these people really having a need. Seeing what we are doing in Ontario—never mind the jobs, never mind all those other things that we are all here to talk about, but talk about human beings and not numbers and you start seeing that the things we are doing in Ontario are the right direction.

I know some of the questions you will ask, and I will try to answer them as honestly as I can. But think of people who really do not have any place to stay. That is the really important part. I could have spoken about many other issues, being on municipal council, but I did not want to do that.

I would like to close by stating that our organization is in full support of the current provincial government's budget. We feel that their commitment to the people of Ontario, in particular to developing affordable rental housing, will only serve to strengthen our economy over the coming year.

Mr Carr: One of the concerns that has been voiced is that we have put more money into non-profit housing over the last little while than the previous government, and the lists have gotten bigger. As you know, there is some concern that there is a lot of profit in non-profit, and when you build them, the cost per unit is \$1,800 versus \$800 when the private sector has done it. I was wondering, not necessarily your organization but as president of the national or the Ontario non-profit housing association, could you just comment on why it is that people are saying that when we build non-profit it costs twice as much as when the private sector does it? Maybe you could just comment on that.

Mr Lefebvre: We can go through some of the statistics of what is more expensive. If you look at your maximum unit price when you are developing a co-op or a non-profit—as an example, in Windsor, I will be very specific because we are talking about here—when you show that you can develop a two-bedroom town house for \$82,000, the private sector says, "Look, when we factor in what we think we should be getting as a return, we cannot build them." It is a fallacy some people may have about affordability, that it costs more being a non-profit than a profit to build. From my experience, I have not seen that. I understand what you are saying about the cost factor, saying that it keeps escalating.

I am not going to say that is not a factor, but I have been working very hard in the last year with the federal government and also now the provincial government, even the Liberal government that was in place before, but now the New Democratic Party—into bringing an index-linked mortgage program that I hope the people here will take into consideration. It is called the index-linked mortgage program where we can use the pensions that we have in Ontario to reduce the cost, because it is tied to inflation, and we can build many more units with a much smaller amount to be invested into it.

Mr Jamison: I really want to talk about this particular budget and the increased number of houses, co-op and affordable houses that are being built. The effect of that, in the midst of a recession, we have heard from various construction groups, that in fact it has turned their employment situation around somewhat and actually created employment.

The other point that was brought out, especially given the time that we are in, by those construction unions and construction companies that have presented in front of us was that the opportunity to build at this point, in the co-housing area, is better than it ever was because during the recession builders are not working at their 100% level. Have you any comments to make on that?

Mr Lefebvre: You are absolutely right. We have gone from where, two years ago, we found it very difficult to come under the 100% maximum unit price, now some of our developments, because they took the initiative to bring it forward, are at 89% of maximum unit price 1992, and that makes a considerable difference. Just an example, in Ottawa, we would never have been able to develop both of those developments because those parcels of land were out of reach for anyone to get, and we were able to acquire that land because you had made that decision at this time.

WINDSOR WOMEN'S INCENTIVE CENTRE

The Chair: The next group is the Windsor Women's Incentive Centre. You have one half-hour for a presentation. In that half-hour, leave some time at the end for a question-and-answer period. Identify yourself for the purposes of Hansard.

Mr Greene-Potomski: I am Janet Greene-Potomski of the Windsor Women's Incentive Centre. I am the executive director. I will not nearly take the time that is allotted that should be refreshing.

please allow me to congratulate this government on its courageous approach to the Ontario budget. Rarely is it possible to prove justification for such investment in hope and vision. This government has demonstrated intent in implementing policy for which it was elected by mandates, services and programs, effecting equitable employment services and grass-root inputs to existing services.

The Windsor Women's Incentive Centre, otherwise known as WIC is a feminist, non-profit, charitable organization which has been servicing women in Windsor and Essex county for 10 years. Our mandate is to promote and enhance the status of women and many of the ways that we effect this mandate is through skills training, research, counselling and outreach. The outreach takes various forms including referral and intra-agency collaborative work. WIC participates in committee work with a variety of agencies that provide general services to our community and sometimes agencies which provide only very specific services to very specific women in our community. Beyond WIC is the only agency in Windsor and Essex county that serves women as a broad-based constituency. Expertise and knowledge is requested to share the shared information and perspective that we hold.

Our funding from government sources is directed to us on a special project basis only. Federally, we have received training moneys from Employment and Immigration Canada for teenaged women and adult women who are in danger of dropping out of high school. We also received moneys from the Secretary of State for research. Provincially, we have received companion moneys for research projects from the Ontario women's directorate.

Although the funding received from these sources is limited and certainly helpful in effecting our services, they are special project moneys only and are available to us for a prescribed time only. For instance, during our skills training project, 50% of the money granted paid participant allowances and dependant care allowances. The balance of those moneys paid for training costs and overheads directly related to the project only.

During our last fiscal year, provincially, we received \$100,000 from the Ontario women's directorate as companion moneys to Secretary of State moneys which amounted to \$100,000. This was to conduct research on the feminization of poverty. The research actually cost \$40,737. WIC absorbed a shortfall of \$15,737 and we did this through fund-raising, donations and membership fees. Provincially, we received only 50% of the funding needed for the project only.

However, last year, our operating expenses, including skills training, research counselling and workshops amounted to \$252,074. The contribution provincially amounted to only 4% of our entire operating expenditure for the year. We lived and we grew. However, our major source of money comes from the community and our African neighbours, through bingos. In 1991, we received \$47,410 through bingo revenue. The actual net moneys from these bingos represented only \$23,300. Thus \$24,110 went back into city and provincial coffers through bingo licences and bingo hall rental costs.

My point is that although the provincial budget has reflected a genuine commitment to women, many of the

provincial funding constraints presently in place—they have been in place for years, even before this government—have little positive effect on the actual services to our constituency.

Since the time this government was formed, our agency has directed inquiries to a variety of ministries hoping to access equitable and efficient funding. However, moneys available are for apprenticeship programs or short-term workshop programs. Our research, and research conducted by the mayor's committee of Windsor, shows consistently that women need more if they are to participate in our society equitably.

Often, women are hindered by their lack of knowledge of options. Many cannot access information because of their address, financial circumstances and energy drain from depression. Of your client base, 80% are in receipt of social assistance. Those who live in a particular geared-to-income housing project in Windsor cannot have our only daily newspaper delivered to their homes because the newspaper has a policy of not delivering to that neighbourhood.

Our only mainstream television station has been diluted to a point that local community advocacy or opportunities are not covered. Rarely do these clients have the money to subscribe to cable television. Thus, again local coverage is unavailable to them. Case workers within the city and provincial social assistance programs are over-worked and presently many are being trained on the job. Thus clients do not have the opportunity to work with their case workers to effect positive changes in their lifestyles.

This agency wants to go to these clients at their home bases to share information about not only WIC, but other agencies and services that may serve their specific needs more specifically. We want to, but we cannot. Women who contact us or who are referred to us have a variety of needs that they cannot necessarily have met through specific apprenticeship training programs or occasional workshops. Some want employment training or job referral. However, we find that many women have chosen to be full-time care givers and homemakers and want assistance to make that unpaid career choice as fulfilling as possible for them and their families. They want to learn how to be assertive—increase their self-esteem, connect and advocate with schools, city administration, MPs and MPPs, learn about job opportunities, access dependant care and transportation. They want knowledge and the empowerment that knowledge would give them to make appropriate choices.

WIC could facilitate this efficiently with appropriate funding. We could prepare women to enter into paid employment training programs offered by other agencies and educational institutions, providing them not only with a training-ready or employment-ready woman, but also our community with a stronger guarantee on its investment.

Certainly the benefits of the provincial budget will affect many women in Windsor and Essex county. However, we must still work to make sure that those changes will reach them. New moneys for child care spaces have been directed to this area, for example, by the province. However, they are inaccessible until our own city council lifts a

freeze on such spending. That is our problem here in Windsor, which hopefully will be remedied in November.

The provincial budget does and will help women. The government indeed has worked hard to effect compassionate spending during a most critical time. Now, as the budget proves its positive investment, I am certain that the women of our community who have yet to reap these benefits through pay equity, employment equity, child care assistance and social housing will, as this government continues to develop its social agenda. Thank you.

Mr McLean: On page 2, you say, "Last year our operating expenses, including skills training...." What type of skills training was to take place?

Mrs Greene-Potomski: Our mandate is to offer as much non-traditional skills training as possible. During the last fiscal year we offered two programs. One was to train women as quality technicians using statistical process control methods in manufacturing industries. The second project was office machine repair, to repair copiers, fax machines, etc. Also included within the skills training is our teenage program where we offer them paid summer employment at a variety of industries around town.

Mr McLean: Do you work in conjunction with the Ministry of Community and Social Services at all?

Mrs Greene-Potomski: We do, through a friendly correspondence. However, we receive no funding from them at all.

Mr McLean: So really, the only grants that you get are what you have indicated in your brief: the \$10,000 from the Ontario women's directorate. The Secretary of State, \$15,000, and \$10,000 from the province, was it?

Mrs Greene-Potomski: It was \$10,000 from the Ontario women's directorate.

Mr McLean: What is your budget?

Mrs Greene-Potomski: Last year it was \$252,000 in expenditures. It is very difficult to ascertain what our operating budget will be from year to year because we receive no operational funding. To keep the doors open and the two staff people and extraneous bills, it would come to just under \$100,000 a year. However, if we are to conduct other programs, then we have to propose funding proposals for those.

Mr McLean: I commend you for what you are doing.

Mr Christopherson: Mrs Potomski, I want to thank you very much for an articulate, comprehensive presentation. I have a very direct question. The vast majority of the moneys that we have spent in this budget, particularly that part of the deficit that was discretionary—it was not much, but those parts that were—we feel are an investment in Ontarians and an investment in the future of this province. Could you first of all advise this committee whether you agree with that, and if you do, in your own words, why you believe investments such as the money that is provided to WIC is indeed an investment in the future of this province?

Mrs Greene-Potomski: I see it as an investment and I see it as a really good starting point and a really good approach to building up equity in terms of not only our real dollars here in the province, but also equity in terms of the results. The best way to invest in a community of people is

to invest in that hope, and their education. I truly believe not only through my airy-fairy believing, but also in terms of research and what I have come to learn in my years being with WIC, that you do get paid back. The community does get paid back from that investment. You get paid back in real dollars, if that is the bottom line. You get paid back in a better community of people. So I see this as really the only way to go.

1620

Mr Christopherson: Attached to that, could I know what would have been the result if we had not maintained the funding and indeed had cut back in your funding, the share of your revenue that we provide?

Did you want the floor, Mrs Sullivan?

Mrs Sullivan: I think there could be a clarification. The OWD provided WIC with a—

[Failure of sound system]

The Chair: Is Hansard having problems? Go on.

Mr Christopherson: Thank you. My question was, if that portion of your budget which is provided to the province was not provided because we took the Mulroney tack, to cut back on programs like this, how would that set back the goals that you have? Again, what would the impact be on this province and our future if indeed we went down that road?

Mrs Greene-Potomski: The impact on WIC would be, quite frankly, minimal, because it only showed a minimal contribution.

If I may also respond to something Mrs Sullivan said, that one of the constraints of OWD funding is that there is a cap on it and you may not overlap any projects or programs; if the project you are working on will take a year, you may not propose to the OWD for future moneys for a different project. So there is a very definite limit on that.

The impact of not directing the moneys from OWD to social assistance, etc., that would benefit women would be absolutely devastating. You have to keep in mind that women make up 52% of our population. Women are the most adversely affected by recessions, by job layoffs, by plant closures, by housing inaccessibility, by child care inaccessibility, transportation inaccessibility, etc., not only because of our historical stance in society, but also because we are the last hired, the first fired. That is just a fact. Yes, it would be really, really bad if you had not decided to invest that kind of money into this budget. But I must say that is a really good start and it is not something that we should rest on.

Mr Kwinter: I would just like to get some clarification. In your brief you state that these women are particularly disadvantaged because they live in an area where they do not get home newspapers delivered and they do not get access to community-based television.

Mrs Greene-Potomski: Correct.

Mr Kwinter: How are they disadvantaged? The point I am getting at is that it would seem to me there are lots of people who either choose not to watch it or do not have access to community-based television and do not get the newspaper.

red to their doors, and I am just curious to know why is such a severe impact, in your opinion.

rs Greene-Potomski: The one community I am ng of in particular is a very impoverished commu- so coupling financial circumstances along with the ssion that comes along with that, the defence that is is, "We don't get the information that we need and on't care about us." Other middle-class people can the choice to turn off their TVs or not subscribe to TV or not subscribe to the daily newspaper. These e do not even have that choice. Not having that e reduces their ability to go out and access anything ight change their lifestyle. It is a we-against-them of mentality that, quite frankly, is quite understand- They do not have the opportunity even just to send a ighbourhood kid down to the corner store to pick up the . They may not even have the 48 cents it now takes to ase a paper six days a week. If the information is not available to them as easily as possible, from their ective, they will not take the opportunity to go out- heir community to find it. They do not have the en- They do not even know how to do it.

he Chair: The next one on the agenda is Ian Gar- e. Is he here? How about we recess for 10 minutes.

he committee recessed at 1627.

IAN GARTSHORE

he Chair: We will resume our hearings on the bud- eyview. Our next presenter is Ian Gartshore. You will 15 minutes for your total presentation. If you can, a little time in that 15 minutes for questions and ers.

Ir Gartshore: I think I will certainly be able to stay n the 15 minutes, because my presentation is really very I thank you for the opportunity to speak before you afternoon. I would imagine that you have been here period of time and you must be ready for a break.

When any level of government, at least one that is on- sible to the public, is preparing a budget, there are, ast to my way of thinking, two major considerations have to be made: the financial costs, both long- and -term, and the social costs, both long- and short-term. ems to me that balancing the budget means not just icing the financial income with the expenditures, but balancing the financial costs with the social costs.

We all know people who have been affected by acks, recessions and downturns in the economy. I give e examples here. Fred loses his job of 34 years and is le to find another one before his retirement in three s. Susan, a single parent, loses her sole income. Sev- families are forced to move to another city in search of b, losing the down payments on their homes in the ess. Families are broken up. A husband and wife are le to see each other since they are forced to take extra to make ends meet. Harry loses all his self-esteem being unable to find work for two years. Lucy, after iving two degrees that held promise for a good job at time, graduates and can only find a waitressing job—

and I am not putting down waitressing here, by the way. She is unable to repay her student loan. These are only a few examples of what happens in bad economic times.

At this point, my question is, why does the question of economics seem to take priority over the lives of such people? Is there no way of measuring the human cost resulting from budgetary decisions? Surely we have the cart before the horse here. What would money be worth if it were not for human beings?

This reminds me of the story about a man who, through no fault of his own, found himself wandering through a barren desert looking for signs of civilization, or at least of water. After a period of time he grew very weak and thirsty. Suddenly he came across a campsite that had obviously been quickly abandoned. Hurriedly he dug through the few bags that lay strewn around the site in the hope that some water might have been left behind. Only one bag contained something. Disgusted, he threw it down. "All it is," he muttered to himself, "is a bag of gold." With this, he lay down to die.

Obviously gold is a very valuable commodity, and yet, like money, it has worth only to human beings. Human life is more important than money, not the other way around. Although it is important to carefully spend money—and I believe this very sincerely—human life is more important. Thus, budgets must balance the human cost with the financial cost.

My second point is to raise the question, in light of the foregoing, of how much governments are actually able to do, especially provincial governments. How much power do governments really have in determining the future course of a country or a province? It seems to me that over the last ten years, the more "free-enterprise," shall we call it, model of economics has shifted some power away from governments. More and more decisions, decisions that affect the lives of ordinary people, seem to be made by the powers that be, whatever they may be. As we enter an era of mega-corporations that easily move capital from one hemisphere to another, that decide where jobs will be, that decide what the economic viability of a given area will be, governments will be less able to make real decisions on behalf of those who elected them.

Over and over again I am hearing people say that it does not matter who one votes for; the same things seem to happen regardless. They say it makes no difference who is in power since decisions are being made without any real concern for the voting public. Although this hearing, in itself, is an indication that the present provincial government is trying to improve the situation, maybe such people are still right. Maybe the biggest decisions are being made beyond the reach of local governments. Maybe certain things are partly beyond the control of the decision-makers. For instance, this government is obviously not to blame for the deficit it inherited. It is not to blame for things such as free trade, the loss of manufacturing industries—at least maybe not until recently—and the recession. It is not to blame for government cutbacks either, I might add. Neither is this government able to bring to an end the innumerable federal taxes we all face.

Given the limited scope within which a budget is able to move, the need to help promote business as well as keeping

the human costs in mind, what can be done? I believe the only thing that can be done is what this government has done. Nobody likes deficit budgets, but then nobody likes facing the huge dislocation that thousands, if not millions, of people would face if the budget were truly balanced this year, at least in the economic situation that we presently face.

I believe that society is no stronger than its weakest link. If we can work together and take care of each other, we will collectively be stronger. I believe this is what this budget is attempting to do, so I endorse the end to which it is aiming.

1650

Ms M. Ward: On your second page, when you are talking about the free-enterprise model of economics shifting power away from government, I think that would tend to emphasize the point that government is more needed as a counterbalance to those powers. People tend to think of government as something outside of themselves. I do not look at it that way. I think the government is, or should be, the people. Not everyone agrees that it is, but I think it is our responsibility to see that it is the people.

I think that as we go further along to where we have a world economy, we might be seen as powerless, and that our government has a greater responsibility to counterbalance those tides and to protect the people. Do you have any comments on that?

Mr Gartshore: Ideally, of course, the government is the people. I agree with that. In a democratic system that should be the case. I realize that it is far more complicated than that simple statement would lead us to believe. It seems to me that governments and businesses can work very well together, governments as representatives of the people who are affected by business decisions. Sometimes I think even businesses are able to represent people better than governments, even though it should not always necessarily be that way.

But overall I would say I am slightly fearful of this movement towards larger and larger corporations, corporations that are now transnational, that cross many, many borders, corporations that do not have any one particular government to report to or any body of people at all. I know one of the fears that we in the western world have of communism is that it is a very centrally controlled type of economy. Yet it seems to me, as corporations become larger and larger, that to some degree—not certainly to the same degree, but to some degree—there is the possibility that economies will become controlled by a small number of corporations or whatever.

Ms M. Ward: What I am asking, really, is whether you think the responsibility of government is increasing—the responsibility to protect its citizens and to be their advocate, really, to protect their interests with this move to global economies?

Mr Gartshore: That was what I was leading immediately to. It seems to me, then, that governments need to do several things. One is to make sure the corporations do not become too large—one big example in the United States was the breaking up of Bell—so that nothing gets too large and out of control. Governments need to monitor corporations. Another example is the environmental movement. Governments need to make sure that corporations are abiding by regulations, etc, protecting people in that way.

Yes, I believe governments do need to be responsive to the voters and to make sure that corporations are ethically and being responsible to the people they are posedly serving.

Mr Carr: Thank you very much for your presentation and for coming before the committee. The question I relates to dealings with the public. As you know, we got this recession last year, April or thereabouts. One of the concerns a lot of people have is that the present government not let the people know what was going to transpire, they were going to increase some of the spending—

Mr Gartshore: The federal government?

Mr Carr: No, the provincial government that elected last summer. When they made the Agenda for People they did not say they were going to put in the spending fact, when they costed it out, with fairly detailed costing they broke down all the programs, the 60% financing—they said to everyone, “But the best thing about it is it is going to cost us \$1.2 billion over two years to fund all the programs.” That is not including, for example, the funding that they have not even touched. They said, “all the wonderful programs, and it is only going to cost that much.”

One of the concerns out there is the cynicism of the public. They are saying that politicians make all these promises; they know when they get in they are going to do it but they do not make those promises at election time because they know if they said they would run up the deficit, people would not vote for them. That is one of the concerns I have because as you know, what this last government did was build a coalition. There are about 20% of the people who vote NDP, who always vote NDP. Where they won the last election was when they got the swing vote—those who were Liberal, Conservative, whatever. It was these people who jumped on, not knowing this was going to happen.

What do you say to those people who now are fearful with the deficit, and who a year ago were not told that it was going to be run up? How do you think those people feel?

Mr Sutherland: Are we rewriting history again?

Mr Carr: You actually got Conservative votes last time guys.

Ms M. Ward: Did you ever stop to analyse why?

Mr Gartshore: I do not know the psychology of the people and why they voted the way they voted and how informed they were in their vote. I cannot address that—that is what your question is.

The Chair: I would like to thank you for coming to the committee and presenting your views. I think this committee has to thank the citizens of Windsor and area for the presentations they have made to this committee. They have been very informative and I would say very enthusiastic presentations plus observers who have been sitting in the audience today. I think this is the largest group that we have had, with observers seeing what our government is doing and the opposition part in this particular government at this time. As I say, I thank the people of Windsor here.

If it is the committee's wish, we adjourn until 9 o'clock tomorrow morning in London for the ongoing hearings.

The committee adjourned at 1655.

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Tuesday 20 August 1991

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Finance and economic affairs

1991-92 budget

Assemblée législative
de l'Ontario

Première session, 35^e législature

Journal
des débats
(Hansard)

Le mardi 20 août 1991

Comité permanent des affaires
économiques et financières

Budget de 1991 à 1992



Chair: Jim Wiseman
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Président : Jim Wiseman
Greffier : Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Tuesday 20 August 1991

The committee met at 0902 in the Sheraton Armouries in London.

1991-92 BUDGET

Assuming consideration of the 1991-92 provincial budget.

LONDON MIDDLESEX TAXPAYERS COALITION

Chair: I would like to welcome the London Middlesex Taxpayers Coalition. Jim Montag is the chair. You will have 5 minutes for your presentation. Try to keep some time for questions.

Mr Montag: I am Jim Montag, the chairman of the London Middlesex Taxpayers Coalition. Our coalition is not just about deficit spending. We believe all levels of government—federal, provincial and municipal, should operate on a pay-as-you-go basis and should not under any circumstances be permitted to enter into a program of spend now, pay later. If I personally spent 20% to 30% more per year than I earned, I would be forced into bankruptcy in five years. How long can Ontario or Canada last? Ontario government's deficit spending was used to enhance social programs. This will provide some support for the present working force. Very little money was spent to create new jobs. In times of recession and restraint, we feel nothing should be done to increase or subsidize any program that is not directly intended to create jobs. After all, if we must tighten our belts, we should do it, not just the wage earners or taxpayers.

Free trade with Mexico and other countries is coming and is inevitable. It will happen either quickly, with the signing of a free trade agreement, or slowly, with a gradual reduction of duties and tariffs, but it will surely happen. We have already lost jobs with the implementation of the United States free trade agreement and will lose many more when Mexico is added, unless we do something positive about it now. United States cities are actively trying to entice Canadian manufacturers to relocate to their areas.

However, it is the present situation on the US-Mexican border that I feel is most threatening. When you travel from the United States to Mexico, you will find no restrictions at the Mexican side of the border. You can freely enter and leave these areas, called Maquiladoras, whenever you want to and bring into or take out of the country anything you like. It is only when you travel another 10 to 20 miles further south on the north-south highway that you are stopped by the Mexican army, customs and immigration officials and sometimes police. At that time you must show your passports, citizenship and travel papers and have your luggage and goods inspected.

In these Maquiladora areas, anything produced anywhere in Mexico can be purchased at very competitive prices. These products can usually be imported into the

United States duty-free. Fortunately, the Canadian customs country-of-origin documentation prevents many of these goods from being imported into Canada at the present time. With a Mexican free trade agreement, duties and tariffs will cease to exist and we will be inundated by the flow of goods from Mexico.

It is this situation on the United States side of the border, however, that is presently affecting us very adversely. Every day from 7 am until 9:30 am there is a lineup that extends from the United States customs point across the bridge and for one or sometimes two city blocks into the Mexican border city. This lineup moves very quickly and is comprised of Mexican workers entering the United States to work for the day at their jobs in small factories and on farms.

Each of these workers has and presents a document permitting him to enter and travel in a limited area in the United States for the purpose of employment. In the evening, all of these workers return to their homes and families in Mexico. This situation exists at all border crossings—Matamoros, Reynosa, Nuevo Laredo, Ciudad Juarez, Nogales and Tijuana. The goods these workers produce are presently entering Canada duty-free. This is a serious problem and can only worsen with time.

The present taxation situation in Canada and Ontario appears to be that a government sets a spending budget and then raises taxes and creates deficits to match this spending. There seems to be no effort made to cut spending. When you raise taxes, our industry becomes less competitive and the exodus to the United States and Mexico is accelerated. Jobs are lost and wage earners who were taxpayers are now shifted to the unemployment programs and welfare programs where they become an expense to the system. This results in increasing expenses and a decreasing taxation base, with resultant loss of tax revenue. Inevitably this results in still higher rates of taxation and bigger deficits.

The position of the London Middlesex Taxpayers Coalition is that if the governments lowered the taxation rates to businesses and industry, then these institutions would be more competitive and in a much better position to meet the challenges of free trade. Their success would result in more jobs for Canadians, an increase in the number of taxpayers and therefore an increase in the tax revenues. The present fiscal policies of our government are self-destructive and can only result in bankruptcy. This is a terrible legacy to leave to our children and grandchildren. These fiscal policies should be thrown out and replaced with ones that are regenerative and job-creating. Thank you.

Mr Kwinter: I missed the first part of your presentation, but I was quite taken with your emphasis on the problems that could emanate from the Canada-US-Mexico free trade agreement and the threat of the absence of regulations and controls in Mexico and what the impact is going to be in

Canada. I would be curious to get your reaction. At the present time trade between Canada and Mexico is negligible, it really is. Statistically it is really of no import.

There is no restriction against people going to Mexico right now. As a matter of fact, a company from the London area went to Mexico and is operating there, Fleck Industries. The Maquiladora areas are operating, but that is not really where we are getting our competition. Our competition is coming from West Germany, it is coming from Japan. They are major players in the North American economy and they are both high-wage countries. They are countries that have a very sophisticated social system. That is where we are getting our competition. How do you address that? I mean, when you single out Mexico, what about Taiwan, Thailand, Singapore, Hong Kong, Brazil, Poland, all of these places that have very inexpensive labour and are not really impacting on us to the same effect as West Germany and Japan?

0910

Mr Montag: I was not going to agree with you that it was the European countries that are providing the most competition to us. I was going to point out that, unlike the Near East—or the Far East, whatever you want to call it, Hong Kong, Taiwan, Korea, Japan—my feeling is that with a free trade agreement with Mexico, at least we will be keeping the money in this hemisphere. The Mexicans are very willing to trade with us for our heavy-industry products: railroad locomotives, buses, automobiles, trucks, things like that which they do not produce. When you deal with the Orient, some money is gone that will never ever come back into this country.

Now, this would not be the situation with Mexico. The money would stay in this hemisphere and it would be spent back in Canada, very likely at a greater rate than the Orient is doing now. The only thing the Orient wants from us is our raw materials, but Mexico is willing to buy a lot more than raw materials.

I do feel there is a definite threat, with the implementation of free trade, of very cheap labour in Mexico. This is where I feel we should look at this situation now and be prepared for it—it is already affecting us slightly; it will affect us much more in the future—so that we can keep our jobs here. Whenever a factory leaves here, you lose a job, you lose a taxpayer and you have to increase taxes to make up for that loss of revenue. If the jobs are kept here or created here, you have more taxpayers and more revenue.

Mr Sutherland: First of all, you said that government should not run a deficit unless it is creating new jobs. Given the extent of this recession, this budget is designed to maintain and create up to 70,000 jobs. Would you not agree that in a recession there is also an obligation to try and retain jobs because, as you pointed out, if we did not make some efforts to maintain those jobs, those people would be going on the welfare rolls as well?

Mr Montag: Yes, there is a reason to maintain jobs as well as to create new jobs. It all works towards the same purpose. What I am saying is that in times of recession we should all take a step back. Most of the budgetary deficit that has been proposed now is to enhance social programs. I do not agree with that. Why should one group gain while

other groups lose? I think the money should have been spent, as you say, to maintain and create new jobs.

Mr Sutherland: Mr Montag, the majority of the budget deficit is to maintain the current level of the program in most cases. Up to \$8.2 billion of the \$9.7-billion deficit is to maintain the level of the programs. That is what we are attempting to do with this budget.

I just want to ask you one other question, since we talked about free trade with Mexico. You said they are very willing to want to buy our products. I would like to know how the average Mexican worker is going to be able to afford to buy Canadian products when he is only making \$5 a day?

Mr Montag: They are doing it now. They are buying most of their railroad locomotives from this country. General Diesel in London here produces an awful lot of them. They are buying their heavy earthmoving machinery. When they start building subway systems there, I am sure MLW of Montreal will be able to compete very favourably. This is the type of material they will buy from us. It will be heavy-industry rather than small-industry products. If they have money, which they do not have at the present time—

[Failure of sound system]

Mr Montag: I do not agree with that. I think if you have more jobs, you have more taxpayers and then you have more tax revenue. If you lose jobs, those people become welfare recipients or unemployment insurance recipients and do not pay many taxes any more. You have lost that tax revenue; but if you keep the man working at a good wage, at a good job, he is earning money, he is paying taxes and your tax revenue will increase. Jobs will increase tax revenue; a loss of jobs will decrease it.

Mr Kwinter: Just for a matter of information for members on this committee, if you were to go to Mexico and walk into their shopping centres, which are as good as Yorkdale or anything else, you will see thousands of people, not wealthy but not poor, wandering around buying from stores just like you see in our shopping centres. Mexico City has a population of somewhere around 20 million. When you drive around, everybody seems to be driving cars. There is a misconception that Mexicans are towing their little burros and living in little mud huts and have no money. Let me tell you, there are 85 million people in Mexico and they have a pile of them that are poor in the same way as we have a pile of people in Canada who are poor, but they have a vibrant middle class and a working class. There are more people in Mexico who have buying power than there are in Canada. They may not have the same level, but there are more numerically. Proportionally it is a relatively small number, but if you ever saw them, it would totally change your impression of it.

Ms M. Ward: How do you know nobody has?

CRAIG STEVENS

The Chair: The next person to appear as a witness is Mr Craig Stevens. You will have 15 minutes for the presentation.

Mr Stevens: I appreciate this opportunity to present my views from the standpoint of a middle-class Canadian

tarian and a family man with three children and a income of approximately \$50,000 a year. My wife part-time job; she makes about \$5,000 a year. It may like a lot of money but it is not when you struggle to family.

ne the less, as a middle-class salary earner I feel alarmed and threatened with the spending practices levels of government. I am a proud Canadian. I feel d to have been born in this country. There is a ten- to knock this country a lot and I think we should all to improve it and contribute in our own way to do ing, and that is why I sit before this committee.

is typical of many families, I attempt to harness both mental and physical energies to provide and better the of life for my family. I believe there is no higher in this world than to bring young people into the raise them and see them become productive, educationists. The many complexities of daily living make pursuit most difficult, to say the least. To varying de- everyone's quality of living is inextricably linked to ability to generate money relative to their own per- consumption habits. Depending on the individual or income, we can all adjust our consumption patterns possibly reflect earned income. To do otherwise jeopardize and threaten the current and long-term economic stability necessary to maintain and improve standards of living.

ne most recent provincial budget, reflecting a \$9.7- deficit, clearly does stand alone as an example of possible spending. However, in the realm of partisan es it is quite tempting to focus on the incumbent gov- ent and label it the all-time reckless spender. To a d extent this is unfair. Any deficit budget is reckless, more, some less, as determined by levels of incoming ue to outgoing expenditures.

ver the past 10 years Ontario has been governed by ee of the mainstream political parties at one time or er. During that time, Ontario's provincial debt has from a level of approximately \$21 billion in fiscal 1981-82 to a projected \$51.7 billion for 1991-92, an ase of some \$30 billion. You could spend a day dis- ing previous government spending practices and what out I choose not to do that. However, I want to note here should be some commonly shared guilt here, that ee parties can be painted with the same brush when it s to unbalanced budgets.

he present provincial government has no business g Ontarians that by 1998 we will have no deficit for ing expenses. There are just too many variables over ong a time to make such a prediction. Likewise, just tawa spends 34 cents of every tax dollar to support st payments, we see here in Ontario a movement of to 12 cents of every tax dollar to support interest ents, and with the most recent budget deficit this has ed up from a level of 9.9 cents. This is very disturbing quite sadly, I think we are embarking upon the same ey towards smothering interest payments that we see e federal level of government.

0920

The likelihood of reversing institutionalized deficits is remote. Any government attempting to do so would have to be willing to commit political suicide to reverse the spending practices. Once the electorate has tasted the benefits of any new or enhanced program, the weaning process is made immeasurably more difficult. The capacity of a society to fund those less fortunate is limited. Ultimately, overtaxation will lead to lessened individual and business initiative, resulting in fewer jobs and a reduced tax base. The long-term viability of any government wishing to maintain a more caring and compassionate society would then be threatened. Political opportunism could very well mean short-term gain for long-term pain.

As previously mentioned, individual and societal wellbeing can in part be controlled by living within one's means. Government should be no different. Overtaxation by reactive, spendthrift governments does everyone harm. Individuals, businesses and government should collectively seek non-partisan ways, as equal partners, to responsibly control spending. Accordingly, I wish to offer the following thoughts accommodating the aforementioned objective.

First, all Canadians, not only Ontarians, must lessen their expectations of government. The correlation of program spending and cost must be impacted on the taxpayer. In part this could be achieved through an active, ongoing education program promoted through the media and funded by government. I think this one is extremely important. Canadians do not have that correlation between actual spending in dollars and cents and the programs they are getting. We can see one of the fallouts from this attitude or this ignorance simply being the level of cross-border shopping and how significantly it has increased. Ultimately, if this continues onward and escalates, we are going to have a tremendous number of retailers and other small businesses that generate income in this country going across the border. If it does continue unabated, they will not even be able to afford the gas to go across the border. Ultimately, it is going to cut off the hand that feeds a lot of Canadians and Ontarians.

Second, something I feel very strongly about is the curriculum in the education system. I believe today's students at the secondary level must be provided mandatory studies in the area of political science that deal with and examine the roles of government and spending. This will provide future generations of Canadians with better insight as to how the political system in this country works. We could see the spectacle of federal government as led by Joe Clark, who effectively was turfed out of power because he could not co-ordinate his arms and his legs when walking. Canadians were not captivated by a person who was non-charismatic but who had sound policies to offer to Canadians.

Basically, in our democracy our vote is perhaps the most precious gem we have and, given the high level of apathy and indifference to looking into issues and platforms and the qualities of individuals running for office, we can see inexplicable turf-outs of incumbent individuals and parties. I think the education system is a significant contributor to a lot of the apathy and malaise we have in the electorate in our society. A lot of this has to start right now in the education system with province-wide, consistent,

standardized courses. That is a starting point right now. The present generation, I think, you might have to pretty well just write off.

Third, nominal user fees must be implemented in the health care system. The health care system demands approximately one third of the provincial budget. Any such fees should, however, be of secondary importance to the concept of heightened cost awareness. The usage of any such user fee could impact negatively upon low-income individuals. However, there could be a rebate program or something to give the \$2, \$3 or \$5 back. The point is that if you have something there, the patient would be a little more willing to gain some insight and see what it actually costs for his or her visitation. If you do not want to have a user fee, let them be a co-signer to the OHIP remittance forms with the doctor. The patient could see that his or her visitation may have cost \$22 or whatever it might be. It is a reasonable request to be a co-signatory to any such form. Once again, it is educating the individual, the patient, as to what the cost of the visit might be. Quite frankly, I think we are all aware of the ever-smothering cost of providing health care in this province, and it is certainly going to get worse if we do not do something pretty soon with it. I feel it is a most reasonable request.

Fourth, I feel the accounting practices of government departments should be changed so as to list revenues first, then expenditures. I suppose it sounds like a simple solution to a lot of woes, listing revenues first and then adjusting expenditures, but that is what the private sector is all about and we have greater efficiencies and cost accountabilities as a result of that. It would be a major overhaul for all government to do something such as that, but none the less I feel a certain emphasis should be placed upon the accounting practices of government.

Fifth, legislative devices must somehow be utilized so as to remove the creation of deficits from the political arena. I am not a politician. I think I can understand people, however. It is very tempting to spend funds that are not there in order to maintain and create employment during times of economic downturn, Mr Sutherland said that this is most essential. However, I become most alarmed when I look back to the Liberal administration of Mr Peterson and see that in a two-year period it had record revenues that generated some \$2.5 billion during healthy times, when things were good. Then all of a sudden, when our NDP government came into office, that money was gone and there is still a shortfall of another couple of billion dollars. Here we have people saying, "Wait until we return to the good times and things will straighten themselves out." We bloody well did have some good times under the Liberal administration and we are left worse off than ever.

This brings into focus the whole point of deficit budgets. I believe our current Treasurer, Mr Laughren, has stated, "We'll get back on the road to good times and don't be overly concerned about this." That is a bunch of hogwash; I can tell you that right now. Once you have them you are never going to get rid of them. Quite frankly, I feel that my family and myself are suffering as a result of these smothering levels of taxation.

Number six is very significant. The cost of education in Ontario for 1991 will approximate some \$13,125,200,000. That is a lot of money to be funding the public education system. There are a lot of entrenched practices in the education system and a lot of misconceptions that should be cleared up. I had a discussion some two months ago with the Minister of Education, Marion Boyer, and discussed a number of things. One of those things mentioned to her was, "Did you know the local director of education makes \$115,000 and that in all likelihood makes considerably more than you as the Minister of Education?" She said, "Yes, you're probably correct on that." I got the information from one of her aides in Toronto and am sure enough, excluding her allowance of \$14,000 the minister makes some \$76,000, and here we have local directors of education at \$115,000 and program superintendents at \$101,000 to \$102,000. This is out of whack.

Boards of education conveniently blame higher levels of municipal taxes on downloading of funding from the federal government to the province and from the province to the local school boards. There are a lot of issues that have nothing to do with downloading when it comes to local education costs. Primarily, one of the most significant contributors to high education costs is the number of teachers and this is an issue that is negotiated annually, has nothing whatsoever to do with downloading.

A lot of mandated government programs in the education system are not mandatory. Government will offer little incentives, startup grants, and local boards have to realize that the time comes when they have to be weaned from these grants and supported from the local tax base.

Teachers have the right to withdraw services under B-100. In today's society, parents would just shudder at the prospect of ever having the school system shut down and what to do with their children. So, effectively, local boards when it comes to negotiations, have a loaded gun to the head should ever the local teachers strike, whatever panel it might be, the elementary or secondary panel, and they are just not on a level playing field when it comes to the negotiation process with the teachers. The Ontario Teachers' Federation is extremely powerful in this province. Their numbers exceed some 126,000 people. They have a budget in excess of \$70 million. The Ontario Secondary School Teachers' Federation have their own Cheyenne job to take them around the province.

0930

The Chair: I hate to cut you off, but your 15 minutes are up. There will not be enough time for any questions.

Mr Stevens: I think I have aired most of my concerns and I appreciate the opportunity.

LONDON DISTRICT LABOUR COUNCIL

The Chair: The next group is the London District Labour Council. Please identify yourself for the purposes of Hansard.

Mr Ashton: My name is Jim Ashton. I am president of the London District Labour Council. As you probably noticed, I do not have a written brief, and I apologize for that. Unfortunately I have not had the time or the opportunity

t one together, but I certainly will give you the views of our as we see the budget.

I think it will come as no surprise to those in the business community, my friends out there on the right-wing side of politics, that we at the labour council believe that the government has taken the right direction. I would add that we would have liked to see the government move a little bit further than it has; but, given the hysteria that has evolved around this budget from various groups in the business community and others, it did as much as it could.

I find it somewhat interesting that those who so vehemently oppose increased government spending have urged us all to sit here this morning while we travel across the province spending more of the taxpayers' money.

I am not going to get into facts and figures and numbers today because I think, quite frankly, that does not serve any purpose, but I would like to talk about the budget and particularly those who oppose the budget. I find it somewhat interesting that those around this province who supported the free trade agreement, for example, which has put thousands of Canadian workers out of work—and I think it is basic economics and understanding that when people do not work they do not pay taxes, and revenues go down and of course the deficit goes up—these same people we've supported, I would say, the insane economic policies of this federal government, such as high interest rates, which have led to a high dollar; and certainly those of us in labour know what that has done in terms of our manufacturing sector in the province of Ontario. It has put thousands of our workers out of work. Again, when our workers do not work, they do not pay taxes and again revenues go down. They also require social assistance, something that again costs the taxpayer money and increases the deficit. I have difficulty understanding why, when they take the positions they have taken in the past, they now sit here today and say: "Gee, the deficit's too high. We're going to blame this government." I find it, to say the least, somewhat hypocritical.

These are the same people who supported the Mulroney government's cut on transfer payments to the provinces. I believe, in this budget, it is somewhere in the area of \$2 billion to \$3 billion that the province of Ontario is losing. Again, they supported these policies. I find it very hypocritical that while this government has provided more money for social assistance as a result of, I say again, the economic policies of the federal government, many of these same people are lined up in Ottawa and in Queen's Park asking for corporate tax cuts. I do not know how one causes a deficit and the other does not, although I know there is the argument out there that the less taxes the corporations pay—and I am surprised because so many of them do not—somehow by not paying taxes we are going to create jobs. I have heard that argument. If one looks over the last 40 years as corporations have continued to pay less and less of a share of tax revenues in this country, one has to wonder where that argument has led, because today we look at the thousands of people who are not employed. If you took that argument to its illogical conclusion, I suppose if nobody paid taxes we might all have a job but then we would not have medicare, we would not have social assistance, we would not have roads, we would

not have firefighters, we would not have police departments and so on. So I find it somewhat hypocritical when they take that position.

When the government put out seed money for farmers I suppose that caused the deficit, and yet these same people are in Queen's Park and Ottawa asking for subsidies and grants for business and for corporations. Again, they want money. When the government has spent more money on housing for low-income people across this province—and that is one of the areas I would certainly like to have seen more done in, no question; at least in the Toronto area we have a major housing crisis—again those people have opposed that yet those same people, whether it is in London or whether it is in Toronto, are out asking for government money so we can build convention centres, art centres, opera houses. Does that not cause a deficit? I find it again very hypocritical.

If one looks at the issue in front of us as well, I find it hard to understand, as I said earlier, the hysteria that has surrounded this budget. I look at Alberta, which has a higher deficit per capita than we do, and there has not been the outrage there has been here; at Saskatchewan, where the per capita deficit is much higher; at Ottawa. Granted, in Ottawa there has been much discussion to a degree around the deficit, but not anything like it has been in Ontario, and one has to note the coincidence of three Conservative governments supported, I would say, by the people who are today screaming about the deficit in the province of Ontario.

As for the issue of the deficit itself, it has been used by those in this society who would like to change the direction that those of us in labour would like to see and the type of society we would like to see. It has been the old sword of Damocles hanging over our heads for the last 10 years. It has become a major political issue. I think if one looks back and is old enough to remember, from the late 1940s to the mid-1950s North America experienced one of its greatest economic boom periods in history, and we were running deficits twice as high as we are today. The sky has not fallen. In those same years we made major improvements in social programs.

I think as well that the people I represent and working people across this province, although none of them are economists, understand the importance to some degree of going into debt. I think we all realize that if tomorrow we did away with credit cards, bank loans, mortgage payments, new car loans, etc, this economy would collapse like a house of cards. People know that if they have to have a house, they have to go into a great deal of debt to buy it; they know if they have to have a new car, in some cases they have to go into a fair amount of debt to buy it.

I think the people I represent, their concern is not so much with the deficit as it is with how their tax dollars are being spent. It is hard to understand why those who oppose the government do not recognize the necessity at times for a deficit. I have to question the two opposition parties who are now screaming about the deficit because the working people, the people I represent, if we have a strike coming, if we know that there are going to be layoffs, most people put a little money away. When times are good, you save a little money and when times are bad you have to spend it.

The two previous parties that have been in power have gone through very good times and yet the cupboard is bare. Now whose fault is it? They say it is the fault of the government that came into power.

I think, quite frankly, the argument about the deficit and this government's budget is more about the type of society that we wish to see as labour people versus the type of society envisioned by those who support the idea of no deficit, competitiveness and so on in this country. Theirs is a different vision. I would say that I applaud this government's direction. As I said before, it has not gone far enough. But I think they have done well. I think they have made the right move. I am not an economist, but I spent a year in university taking economics, and I know that for every dollar invested, \$5 to \$7 are created. Certainly in the greatest recession we have had since the Great Depression, I find it difficult that those who have supported so many policies that have gotten us there do not understand it.

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I do have one concern with the budget. That is in particular the 3.4-cent increase on diesel fuel. I am not concerned about those who buy imported Mercedes and BMWs because they are not part of the solution; they are part of the problem. I do not really care how much they pay on diesel fuel, but I do have some concern with the truckers and what is happening to the trucking industry. I recognize that one can lay almost the entire blame for that mess at the doorstep of the federal government in Ottawa. But I do not think that because a boat is sinking we ought to throw an extra anchor in it.

I do not have any solutions to the problem other than to say that I would hope that this government and both parties would take a look at doing something in regard to that tax, whether it be some form of rebate to Ontario truckers, on a quarterly or six-month basis. As I say, I do not have the answers but I think something has to be done to assist those people. Certainly there is the question of the environment, but I do not think it matters whether it is Ontario truckers or American truckers who are polluting because, one way or the other, we are going to have those people on the highways.

Again, let me say that I do applaud the government's position overall. I think you have taken the proper position. I think you have moved in the right direction. I think so many economists across this country and around the world have said that you are in fact not going the wrong way; you are going in the right direction. I think you have taken the position of people over things. I think you have taken the position of compassion over cold-heartedness and I think you have taken the position of fairness over injustice in dealing with the people of our province.

We do not want a society where people are left to live on the streets. We do not want a society where they cannot feed their children because there is not increased social assistance there for them. I believe 40% of welfare recipients are children. I think what our society ought to be about is making things better for everyone, not making things better for those who already have and taking away from those

who have not, because any attack on this budget and the changes that were made would do that.

Mrs Cunningham: As always, it is interesting to hear you, Jim. I just returned from Victoria, British Columbia where even the views of your own party would not be shared by the NDP candidates who are using the Ontario budget as an example of what should not happen. I think their great concern is, first, if I can paraphrase them appropriately, the lack of consideration for good management and for the streamlining of programs and the gearing of programs to the needs, especially of young people in the workplace. I am now talking about training programs.

The other one was the fact that out there they are very much aware that the wage growth has increased about 1 to 2% faster for a number of years in Ontario than in our competing nations, basically the Americans in the United States. They were talking there about wage growth, especially in Ontario and especially in the civil service. I was very interested to hear this of course because I have been there for the last five days and I just wondered if you would like to comment on both efficiency and wage growth increases from your point of view, considering what I heard.

Mr Ashton: I cannot speak to what is going on in British Columbia. I have been too busy running around trying to solve the problems of workers who have lost their jobs, and closed plants, and unemployment problems and so on. But beyond that, wage growth certainly is not a concern. I believe the provincial government acted in good faith and did what other governments should be doing.

It is always the public sector that is the scapegoat for either deficits or government spending or whatever. I think we all know the numbers behind that, that really they play a small part in any overall deficit. I do not agree with that position.

Your other question was—sorry.

Mrs Cunningham: Streamlining and efficiency in government.

Mr Ashton: I do not know how you answer that question. Of course we would all like to see things run as efficiently as possible. I do not know that I agree with you that that is not being done. Again, I say look back over the last 10 years when we had the Conservative Party and the Liberal Party in power. Obviously, you could not have streamlined things too well because had this government done nothing we would have had the largest deficit in history.

I do not know that is a partisan thing. I think it is a third, maybe all three parties should be somewhat concerned with, but I do not think you can point fingers in this case.

Mr Stockwell: What about the competitiveness argument that is being made with respect to our industries? Our industries are closing. Some are saying the tax rates are too high, personal tax rates, corporate tax rates. We are not competitive with neighbouring states and neighbouring provinces. Clearly, there is an exodus out of Ontario.

How do you argue that? What is your point of view on that?

Mr Ashton: One has to start with whether you agree with free trade, which to a large degree put us into the

nation of having to be directly competitive with wages in North Carolina, Tennessee, or somewhere else, where historically wages have been far lower than ours. Again, the competitive argument, I do not know. Now we are talking about free trade with Mexico where workers make \$3 a day. I do not know how we compete with that. Is there anybody here who would like to work for \$3 a day? I do not think so. We are obviously moving from Mexico—we will end up in Guatemala.

Mr Stockwell: I do not want to discuss wages. I was talking about the taxes, the tax rates, where the studies have been done and show we are totally uncompetitive.

Mr Ashton: You are talking about competitiveness.

Mr Stockwell: How do you argue that when you are suggesting that this kind of \$10-billion deficit is acceptable? We are already uncompetitive when it comes to tax rates. This is just basically hiking the budget some 13% or 14%. Where is the competitiveness argument in that? How do you argue against that?

Mr Ashton: It is the same argument we always get. They cut taxes in Ontario; they cut taxes in New York. As far as I am concerned, quite frankly, since 1940 or 1951, look at the drop in corporate tax rates. Let's be realistic about it. That is what has been happening. Corporations have continued to pay less and less. We look across the country. How many corporations and businesses made money last year and did not pay any taxes? I do not know, how much more competitive can you get than that?

Mr Stockwell: You are suggesting we are competitive.

Mr Ashton: I am suggesting that I agree that the decision that this country has taken, the fact that those in Ottawa have decided to sell this country out is something I am in a fight, because if we were not in that situation—

Mr Stockwell: You are suggesting that we are competitive and we are being sold out?

Mr Ashton: I believe we are competitive. I can give you examples in my local, the autoworkers in the city, where we have to compete against plants in Kentucky where the wage rate is far less than ours, and we do it because Canadians, damn it, are good workers. Canadians work hard. They put out a good quality product.

Mr Stockwell: Not many people agree with you enough on that. The studies do not come out that way. I do not know. Have you got any evidence to prove this? Or is this just your own personal opinion?

Mr Ashton: I am the president of the Canadian Auto Workers in London. I am giving you an example of one of my plants. They are very competitive.

Mrs Cunningham: I just want to ask one more question. I am not saying that you or I can solve all the problems, but I represent London North and I am down there to find solutions. I am absolutely sick of people moaning and complaining about this great country. I am here to help this government find solutions. I think that is what it is all about, not partisan politics—and I have said this in this committee before and I mean it—we all have to work together to find solutions and stop taking pokes at each other. By the way, I have heard you speak before and I

have seen you give solutions to problems so I am not aiming this at you.

But one of the concerns that was really brought home, on the west coast and in Ontario at these hearings we learned that about \$50 billion of our debt is actually owned, in a sense, by the Japanese. When I heard the other figures, it was even more shocking. This country is not even capable of paying its own debt in any way, even if we take a look at our own institutions, our banks and what not. It is pretty frightening.

The solution I think we are all looking for is to get out of debt. It certainly does not give a lot of hope to our young people. I am just wondering what kind of statement you make about that great concern that young people have. This was at the University of Victoria where the representatives came from all over Canada and they were very concerned.

Mr Ashton: I do not think there is any question everybody is somewhat concerned about debt. But I am saying, if you look at 1947, the debt was 106% of the GNP. I do not know, did the people in 1947 say, "My God, my kids are ruined." Obviously, they were not. I grew up in a generation that benefited because of the 1950s and the 1940s.

I agree with you, everybody would prefer not to have a debt. Who wants a debt? I agree that there are things that can be done. Unfortunately, some of the solutions I have are not the solutions that, say, you would agree with.

The Chair: I have to go on to the government.

Mrs Cunningham: It relates to my point. It does relate to the interest rate, and it is unanimous. That is what I would think about.

The Chair: I am sorry.

Mr Christopherson: We follow the rules, Dianne.

Mrs Cunningham: I am going to finish my sentence no matter what.

Mr Christopherson: Ron, the hammer stops when time is up. It does not matter who it is.

Mrs Cunningham: I will keep talking until I end my sentence every time.

Mr Christopherson: But if you were Chris, your sentence would be an hour long.

Mr Ashton: Do you want me to leave? Will you guys work this out or what?

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Mr Christopherson: I think it is interesting that some of the questions from the Progressive Conservative Party talk about the deficit when just last week we saw that the federal government is now suggesting that instead of a \$30-billion deficit it may have a \$40-billion deficit. That miscalculation alone is greater than the entire deficit that we have projected. And, I might add, our projections so far are all but dead on in terms of the way the economy is unfolding. I think things need to be put in their proper context and that needs to be said.

On the issue of competitiveness, I think it is interesting that, again, as the federal government takes all of us into trilateral free trade discussions with the United States and now Mexico, when the issue of competitiveness comes up

it seems to want to define it by determining who will take the lowest wages. They want to compete to see which nation and which workers will take the lowest wages, which nation and which workers will have the lowest quality of life, which communities will have the lowest environmental standards, which workplaces will have the lowest health and safety standards. That is their definition of competitiveness.

What we have projected and what we have said in this province is that type of competitiveness is not for us. For Ontarian workers to try to compete in that kind of scenario is a loss for us, and it is defeatist for a provincial government or a national government to follow down that road. What we have said is that we need to identify areas where high value-added makes us competitive, where you cannot do anything as well as us because of our education system, because of the skills of our workers, because of the infrastructure of our municipalities, our health system, our education system. All of those things combined will make us competitive. That is where we will shine.

What kind of restructuring are we seeing here in London and how is the economy changing for workers, and where do you see London's ability to compete in that high value-added type of competitiveness rather than the one that says, "Let's compete for the lowest standard of living"?

Mr Ashton: First of all, we in London have suffered somewhat. I would say we have suffered more at this point. It is all linked together, because indirectly the high dollar is tied into the free trade agreement and the high interest rate policy. So it is hard to say which is which.

There is no question, if you talk to employers in this city—at least I have talked to a number of employers; we represent over 5,000 workers in 25 plants in London and area—so many of them will say it is the high dollar. It is not a problem with the work, it is not a problem with the quality; we could be competitive if the dollar was not artificially high. How do we compete with \$3-a-day wages, no health and safety legislation, where the unions negotiate cardboard boxes and tin as wage increases there—government unions, I might add. I do not know how we could possibly be competitive in the long run.

Certainly, there is no question that unskilled jobs are going to come into a great deal of difficulty, as they already are, and increasingly so. We are going to lose most of those if the free trade agreement with Mexico goes through, no question. How can we be competitive? The only way you can be competitive, I suppose, is if you work for \$3 a day. It is absolutely insane. It cannot happen.

I would like to respond to something else too. The point was made to me about the debt. In Ottawa, they come through with this interest rate policy which not only puts us out of work because of the high dollar, but costs the taxpayer hundreds of millions of dollars a year in extra debt financing, and at the same time they are telling us, "Well, we're doing all these other things to lower the debt." I find it absolutely insane.

I also find, if we want to talk about competitiveness, that the corporations in this country are not interested in research and development. If you look at the amount of money they spend in a year, it does not even equal what General Motors spends, and they expect the government—

Mrs Cunningham: Do you want to see what the government spends? You should see what the government spends, Jim. You would be shocked.

Mr Jamison: During your presentation you talked about housing and how you wish there was more done. Part of our budget contained provisions for new co-op and non-profit housing starts. In talking about that in previous presentations both from the construction workers union and the construction associations—and I notice we will be talking to the London and District Construction Association this afternoon—they have indicated that this was very helpful at this time for two reasons: Co-op housing in good times is very hard to start because construction on other homes and other housing is running at a good pace; but they have said to us that it has been a real boost for them, has actually turned their figures around for people working in the industry.

I just want your opinion if you see it that way, because part of your presentation dealt with that.

Ms Ashton: I agree with the extra emphasis the government has put on housing. I would like to see more, but I also recognize the restraints the government is under. The labour council has just begun work on co-op housing in east London, hopefully not just to provide that kind of housing but to help revitalize that area of town which both municipally and otherwise has been ignored.

I agree it is easier to get construction companies involved in that when the business is not out there. But I do think more and more of it has to be done. It is not really true, but there is this image of London having all kinds of money, where never is heard a discouraging word and everybody is fine. More and more now in London, just like on Yonge Street in Toronto, you see people on the street; you see people with nowhere to go. I think it has to be one of the major priorities of the 1990s to find housing for people, food and shelter.

Mr Kwinter: The government has said that it chose to fight the recession and not the deficit, and nearly every single group that has come forward supportive of the government's program has said—you just said it about 3 seconds ago—that more money should be spent on housing. Every group that comes forward says: "You should be spending more money on my particular program, but I understand that times are tough. I applaud the government for running up this very large deficit, because this is the time to do it. When times are good they'll bring it down."

How do you reconcile the fact that if we come out of the recession and things start to get better, people will come forward and say: "Now that we're out of the recession, you've got to make good on your promises. We want more money for this and we want more money for housing. We want more money for day care. We want more money for all these things." The government is then caught in a situation where it has no money to pay down the deficit. In fact the pressures are going to be even greater to provide more programming, because "How can you deny us when times are good when you said you couldn't do it when times are bad?" How do you reconcile that?

Mr Ashton: I am trying to take a basic working man's approach to it on the basis that one recognizes that even working people, when times are good, spend a little more money. But they also have the opportunity to save a little more money. I recognize that you have a double situation here. Programs that were promises are going to be expected to be implemented. But there is also the opportunity put away some money for the future.

You look at the unemployment insurance system. When times are good, you could sit on unemployment and nobody chases you. When times are bad, they have you running into that office inside out and backwards, and you cannot find a job. Does that make any sense? It certainly does not to me. I was going to have a criticism there. Why are you not scrutinizing more when times are good? I recognize what you are saying, but I also think it is important that the people who are talking about this deficit—everybody is here with their individual thing.

I do not represent the housing industry, but damn it, everybody in this province and everybody in this country ought to have shelter. I do not represent anybody from the food banks, but everybody ought to have food.

Everything I have talked about today, I do not think once have mentioned any kind of expenditure that has been made on "labour groups." I believe we have to represent people, whether they are union or non-union. I think this province has certain obligations, and I do not care how far into debt it is. Damn it, I am not going to see people sleep in the streets and I am not going to see people go hungry and children not have the proper clothing and everything else.

I think that has to be a basic tenet of any society. We have to start saying, "We are a community." We're not out there who can get the best, who can do this the best. I think we are here as a community and that is the direction every government should be moving in.

Mr Phillips: I appreciate the comments of the labour council. My father worked his whole life about 100 yards from here in Wright Lithographing. He was a lithographer, I have a little bit of that feeling for the London area. As I have said to groups like yours coming and saying: "This is a great budget," and to other groups who say: "This is a terrible budget," we will only know probably in a year, a year and a half, maybe a couple of years from now. Clearly, the concerns that many of us have are around the future: deficits forever. The deficit in this budget never gets below \$6 billion. There is some creative accounting that says it does, but it does not. They are going to put it all into debt. Hydro is being asked to pick up a whole bunch of government expenses.

My question really is this. Good times, supposedly, are coming as a result of this budget, but the unemployment rate never gets below the 9% level. I am always surprised labour councils are not in here railing at the level of unemployment. I would ask you to be a little bit cautious about blaming the federal government. That is fun but the fact is, Ontario had the lowest unemployment rate in the country a year ago. Today, one year later, we have the fifth lowest. In other words, we have gone from having the best, the lowest unemployment rate, to now being fifth. So it cannot all be the federal government. My question to the labour

council is—because I keep all these briefs and I remember these things—a year from now when we are meeting with you, what will be your expectation about unemployment, and if it is not that bad, what will you be saying to the government?

Mr Ashton: It is hard to say. The government has been trying to tell us from Ottawa the recession is over. I do not know. It is hard for me to tell my workers who are still out on the street that it is over.

Mr Phillips: I think the Premier said the recession is over.

Mr Ashton: With regard to what you are saying, I do not know. You are saying that the unemployment rate in Ontario is now down to fifth, or whatever. If we want to argue that one out, I suppose I could blame that on the Liberal government, because most economic policies take time to filter through the system. I do not know if I want to blame you either. I will go back to what you said. I am going to make it quite clear. My view is that it is the federal government that has caused this disaster. If you ask me what is going to happen a year from now—I do not know if they are going to negotiate a Mexican free trade agreement. No question, if they do, it is going to be worse. I have heard from Statscan that if you work an hour you are considered employed. Is that what they are doing out there? You can juggle stats too. I do not disagree with you. We are losing a lot of manufacturing in this province and we are losing it because of the high dollar and, to some degree, the free trade agreement; or tie them in together. I do not know where else to lay the blame.

UNITED FOOD AND COMMERCIAL WORKERS CANADA

The Chair: We will call on the United Food and Commercial Workers. You have one half-hour for a presentation. Try to leave some time at the end for a question-and-answer period. Please identify yourself for the purposes of Hansard.

Mr Catherwood: Thank you very much. We are pleased to have this opportunity to come to London to make our organization's presentation on the Ontario budget. With me today are my colleagues Maureen McCarthy, representative with Local 175/633, which is the largest local union in Ontario and perhaps the largest local union of any organization in North America; and Bryan Neath, international representative with UFCW Canada. I am Tim Catherwood, assistant to the Canadian director of the UFCW.

We would like to have Maureen go through our presentation and then we would enjoy the opportunity to have a discussion with you about some of the issues raised in our brief and some of the things we just heard raised with our colleagues from the labour council.

Ms McCarthy: Mr Chair, members of the committee, the UFCW is Canada's largest private sector union, representing some 175,000 members in this country. UFCW Canada members are employed in more than 20 sectors of the economy, including the retail, service, meat packing, food processing, brewing and beverage production and distribution, fishing, general merchandising, health care,

shoe and leather manufacturing and banking industries. The UFCW represents more than 70,000 men and women in Ontario.

In this presentation UFCW Canada wishes to review the conditions facing our members and other working people in Ontario and discuss how the budget presented by the Treasurer of Ontario, the Honourable Floyd Laughren, will serve to improve these conditions and place the economy on a track toward a faster and a more durable recovery. UFCW Canada supports the Ontario government's budget and believes it represents the right approach at the right time.

During the past year the people of Ontario have suffered through the worst recession since the 1930s. For Ontario this recession has been more severe than the recession of 1981-82 and its effects have been felt throughout the province in all sectors and in all communities. Ontario has lost more than 250,000 jobs since February of 1990. This job loss has occurred in virtually all sectors of the economy, manufacturing, retail, food processing, service, transportation, construction and so on. The unemployment rate has risen to exceed 10% and, in many communities, it has soared to the unthinkable levels of 50% or 60%. We are told by economic forecasters that this high unemployment will continue for the foreseeable future.

UFCW Canada members have suffered through the recession and from the results of unprecedented change impacting on the economy and the labour market. Our union has been hit by many layoffs and plant closures: Nabisco, Heinz, Hoffman's, Neilson's, Thompson Transport, Canada Packers, Lancia Bravo, Hunt Wesson, J.B. Foods, Simpsons, Dr Ballard's and Taggart. These are just 12 of the many closures that have robbed more than 5,000 UFCW members of their jobs.

The recession has not been the only cause of these job losses. Many can be attributed to a series of misdirected policies coming from the federal government. This disastrous agenda has included: high interest rates; the overvalued Canadian dollar; the Canada-US free trade agreement; deregulation; high and unfair taxation including the GST; cuts to transfer payments for education, health care and social services which are threatening medicare and other valued social programs; privatization; and cuts to the unemployment insurance program.

Rather than building this country to meet the challenges of a rapidly changing world, the government in Ottawa has placed our country on a divisive and backwards course. We have been weakened, left ill-prepared and ill-equipped to deal with the changes occurring around us and to build on our considerable strengths as a nation.

The Ontario budget represents a large step forward for the people of this province and for Canadians. The budget represents a vote of confidence in Ontario and in our ability to pull together to build a strong and prosperous economy and a better future for all. Contrary to the policies of the federal government and its belt tightening, which has been a major cause of the recession, the Ontario government has moved in the opposite direction. Ontario is fighting these hard economic times by working with the people of Ontario and taking action to help the victims of the recession.

Ontario has been one of the provinces hardest hit by the recession and the economic damage caused by federal government policies. The first year of the recession cost the province 250,000 jobs. This is over twice the number of jobs lost in the 1981-82 recession. Of the job losses in Canada, 80% were in Ontario. Also, 53% of the increase in bankruptcies occurred in Ontario. The federal government's spending cuts will cost Ontario \$1.6 billion this year alone. Over the next five years, the province will lose \$3.5 billion in federal transfer payments, more than any other province. Ontario has less money coming in and must spend more to keep social programs at their current levels.

The Ontario government could have done what the governments in other provinces did. They could have cut spending on education, health care and social services. Instead, they have recognized the needs of those who have suddenly found themselves unemployed and have moved to help these people.

The government of Ontario has cast a strong vote of confidence in the people of Ontario. This is the right approach. The Conference Board of Canada, in fact, predicts that because of this recession-fighter budget, Ontario will lead the country in economic growth in 1992.

The budget focuses on recovery. By building on our strengths and addressing the needs of working people and their families, the government has put the well-being of the people of Ontario before the deficit. The government has put into place a plan for stronger growth which will improve Ontario's economic as well as fiscal position.

Ontario, unlike the federal government, has not picked the pockets of workers. Ontario has put money into the hands of working people and their families. Ontario understands that if people have no disposable income, they cannot spend and there is no growth in the economy. Unlike some other provinces, they did not piggyback the provincial sales tax on top of the GST. This alone leaves an additional \$470 million in the hands of consumers.

The federal government has placed its taxes on those with the least ability to pay. Ontario, on the other hand, has initiated a major improvement in the Ontario tax reduction program. As a result, more low income earners will be exempt or see reductions in their taxes. For example, a single mother with two children will no longer pay provincial income tax if she earns less than \$22,500. The government of Ontario is showing that you do not have to fight a recession by putting people out of work and slashing social programs.

Ontario is investing in the future and, at the same time, is creating 70,000 jobs by building roads, bridges, hospitals, schools and affordable housing. Jobs will be created in environmental conservation efficiency and recycling. Funding will be available for retraining and adjustment to those who have lost their jobs due to layoffs and plant closures. The long-neglected areas of labour adjustment, social assistance reform, affordable housing, the environment and pay equity are finally receiving priority treatment.

In response to the increased burden on municipalities caused by a combination of cuts in transfer payments and increased need for social assistance, food banks and affordable housing, the budget provides for increased spending on social assistance and infrastructure improvement.

and development. When combined with the contribution of local governments and agencies, the government's \$700-million anti-recession program will be worth more than \$1 billion.

The Ontario government has introduced a number of policies that are right for Ontario, including some of the following: a \$215-million social assistance reform package will assist municipalities by helping people get into or re-enter the workforce and provide fair and accessible services and benefits for those whose needs are the greatest; \$125 million in funding will be made available to help with the cost of pay equity programs, hospitals, school boards, universities and colleges; \$8 million will be spent to expand services to women and children victimized by sexual assault; \$2 million will provide new shelter beds for women and children who are victims of sexual assault; \$150 million in annual operating subsidies for 10,000 new non-profit housing units, when completed, will bring the level of provincially supported housing activity to an all-time high; \$48 million will initiate self-government and resolution of native land claims. And \$5 million will go to provide for child-care spaces on reserves, and \$20 million will be for community projects such as water and sewage systems.

All this will be done while maintaining health care and education at their current levels, despite federal cutbacks. The Ontario government believes in the people of Ontario and is working to address the needs of these people and to build a strong future for all.

During recent months, the Ontario budget and, in particular, the deficit

contained in the budget have drawn a lot of criticism from some elements of the business community. Some of this criticism has reached the level of hysteria. This criticism is unfounded, not supported by the facts and represents a negative and questionable view of the world.

UFCW members understand the economy of Ontario. They live it. Our members know that the Ontario budget represents an investment in the future of the province and an effort to bring everyone into the process of building that future. Our members are not concerned that Ontario's budget runs counter to the policies of the federal government. They do not feel that a Prime Minister with less than 15% support has much to teach the Ontario government about economics or anything else.

UFCW members know it was the federal government's own policies that caused the lion's share of the recession and the damage that has befallen the economy. Our members are living through the effects of federal policies that gave us: high interest rates; an overvalued Canadian dollar; high and unfair taxes, including an unprecedented shift of the tax burden on to working men and women, and the GST; cuts to the unemployment insurance program combined with excessive premium rate increases; the Canada-US free trade agreement and, more recently, movement towards a bilateral deal including Mexico; and cuts to transfer payments supporting education, health care and social services.

These kinds of policies have placed our economy on a backward course. They are regressive and destructive and run counter to what Ontario and Canada really need: a progressive thrust and an investment in the future.

A lot of people who know what is really going on are saying the Ontario budget represents the right course of action. John Kenneth Galbraith, one of the leading economists of our time, has said that "the Ontario government is leading the way" by reviving the economy with greater public investment. To the critics of the deficit, Galbraith answers: "Of course, greater public investment stands accused of burdening government with unnecessary debt. So, as a bow to fiscal conservatism, perhaps we should finance the process with a tax increase in the higher income brackets. The expansive effect of the large expenditure would far offset any restraining effect of the tax. The important thing is to get all levels of government off the deflationary track. They are supposed to be the guardians of the public well-being. At present, they seem intent on making things worse."

UFCW members know that there is a right time to invest and that if you want to move ahead sometimes you have to be bold. For UFCW Canada the time to move forward is now.

The Conference Board of Canada is another supporter of the budget. The Conference Board notes that very little of the deficit has come from new spending—\$640,000,000—and that the deficit could serve as a confidence builder spurring more growth throughout the economy.

It is important to consider where the \$9.7 billion deficit came from, for it is not primarily a result of the actions or decisions of the current Ontario government. In fact, it is estimated that a \$2.5 billion deficit was left by the previous Liberal government. The federal government's unilateral cutbacks in transfer payments have had a cumulative cost so far of \$3 billion on the Ontario Treasury, including \$1.6 billion in 1991 to 1992. Federal high interest rate policies have raised the cost of servicing government debt, drowned—not just dampened—consumer and business spending and been a major cause of the recession. The recession has had the twin effect of reducing provincial tax revenues and forcing higher costs in terms of assistance to Ontario companies and workers. Federal government cuts to the unemployment insurance program have contributed to increased social assistance costs for Ontario. Social services costs will rise to over \$5 billion from \$2.5 billion two years ago, with 40% of all those on social assistance being children.

The deficit is not extreme and is, in fact, low when measured in terms of total spending, gross domestic product and per capita. The deficit is much lower in all of these measures than the federal government's deficit. And Ontario's public debt charges are not only low, but are projected to stay well under control.

Ontario is well positioned to invest in the future. Government spending will serve to stimulate economic growth, help companies and workers in Ontario out of the recession and through difficult economic times, and create new jobs. The budget is itself an eloquent statement of the government's caring, its commitment and its confidence in the future.

In conclusion, UFCW Canada would like to thank the standing committee for touring Ontario to hear the views of organizations such as ours. It is sometimes good to get a perspective on matters such as the economy from outside of downtown Toronto. UFCW members understand the

economy and they know that the budget represents the right course of action for Ontario. They see it as a demonstration of the government's confidence in Ontario and as an investment in our collective future.

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As a union, UFCW Canada believes in and is committed to progress and to moving ahead. We think the budget will work in favour of the future and progress and that it will serve to lay the groundwork for a strong economic recovery and sustained prosperity. In this effort the government has our full support.

Mr Christopherson: My thanks to Ms McCarthy and the delegation for an excellent comprehensive presentation. I see that in Ontario you represent 70,000 workers. I think you have articulated quite effectively the direction that we have gone as a government, why we have gone in that direction, and the kind of results we are hoping and expecting to see in the years to come. We had two choices: to go down the road that we did with the budget, or to go down the Mulroney road and fight the deficit. If we had chosen the latter as opposed to the road that we did take, how do you feel that would impact on the 70,000 people you represent and the communities they live in across the province?

Mr Catherwood: We think that making this kind of investment at this point in time is a right thing, both for economic and let us call them psychological reasons. We really have to turn a corner in this country where we are starting to talk about building things up rather than tearing things down. In terms of direct effect, a lot of our industries are being very badly hit by a number of things happening in the economy, some of which can be controlled within Ontario and some of which none of us could ever control, regardless of what we wanted to do. But when you look at doing things in terms of training and labour adjustment and trying to get some more assistance to industries, these are the kinds of things that we support because they maintain and create jobs. That is what we are here for: to make sure that our membership can get stability of employment, that our industries are stable, and that we are able to move forward.

In recent times, we have had an awful lot of discussions with other governments besides the Ontario government, with a great number of our business people, with our employers and business associations, talking about just exactly how we turn the corner in this country and start to build on what we have got and start to do better at what we are trying to do. We think the whole thing is really the right thrust. We are really happy to see somebody going out and standing up for Ontario and for Canada and, most of all, standing up for our members who have had one awful hard time. Those 5,000 jobs we mentioned are just the ones in Ontario, and do not include the ones in other parts of Canada. They are very, very serious. Our organization is spending a lot of time and a lot of money right now trying to deal with the closure problem. If you want, at some point, I could sit down with you and tell you the whole thrust of what we are doing in training adjustment; but that is not the subject of this particular committee.

Mrs Sullivan: One of the things that has been a matter of great concern in relationship to this budget, is the clear evidence of lack of investor confidence after the budget came out. There has been grave concern by financial analysts, not only in this country but elsewhere, by people who were looking at investing, at putting in capital investment for expansion or location of operations in this province. Other decisions have been made now. Indeed, we are seeing our own companies moving elsewhere or closing down.

It seems to me that while you spoke at some length about your presentation to us about where you see positive aspects of the budget, you have left out one of the very, very serious consequences of the issuing of this budget. That is, the capitalist fluid that the lack of investor confidence means—that indeed we will not be attracting investment that will allow for expansion and job creation in the near immediate period of time in Ontario. Surely, that by itself is a major reason to condemn this budget.

Mr Catherwood: I hear what you are saying. We at our organization have had a number of talks in the last two months with large employers of ours. Just last week we sat down with the grocery products manufacturing industry and one of the things that was on the agenda was exactly that question. I think that what has to be done is group like ours and the employers sitting down and talking about our different points of view. They talked about this thing called a capital strike. And we talked about how we do not think a capital strike is necessary or a good thing. By talking about the causes of the investors' concerns, we have moved that type of thing forward quite a way.

From our end, we talked about the importance of the dollar. If the dollar were not where it is, we would be in a awful lot more competitive. Their reply was, well there is \$100 million of Canadian debt floating out there. How do you lower interest rates, lower the dollar without affecting interest rates and causing an outflow of money? I do not know the answer to that. The only way we can find solutions to the problems is by sitting down and talking, breaking down that wall between the big companies and our organizations and trying to get the facts on the table and get a good discussion of them. I really believe that if we get into the fall and as things get a little stronger in the economy, you will see a lot of that concern go away.

I do not think this budget alone, or any specific policy that came out of Ottawa or Alberta, or anything else, is the single and only cause of this overall concern in the country. I think the business community has a right to be concerned. But I know that our members have got an awful lot of concerns too. These are the kinds of things we try to put forward, not only in this presentation, but in our discussions with you, discussions with other governments, and most importantly, our discussions with the employers. You have got to bring these things to the table and get some solutions.

We have an awful long way to go to come back in the country. I recall we had something like this discussion a couple of months ago on the problem of cross-border shopping. We have gone away and Bryan, in particular, has done a lot of work on that. You know, we have got a long way to go, but I think that what we like the most about this

udget is that it stands up for the future. It stands up for going forward.

Mr Phillips: Really?

Mr Catherwood: I really believe it does.

Mr Stockwell: If you had a \$10-billion deficit this year, I could almost swallow that if it was accepted as a recession budget. I do not know that I would, but I am certain the response from the general public would be less. And the capital investors certainly would not be as animated as they have been. Except for the fact that you are suggesting you are moving to the future—"We are building for the future."—which in my opinion is such short-sighted pap. It is hogwash. How can you tell me we are building for the future when we are running a \$10-billion deficit this fiscal year and when for the next three years we are nearly matching that number? Where is the consumer confidence, the capital confidence, for anyone to invest in a province that is prepared to double its debt in four years? Explain that one away. That just boggles my mind—how they can go about running those kind of deficits and then get upset when the private sector, the capital investors, say, "Hold the phone, folks, you people are spending money like water."

Mr Catherwood: I am not so sure I know what the answer is to the \$10 billion. We sat down and looked at what we thought were the causes of it and we gave them to you. I do not know how you go back and turn some of those back. We were in a recession and—

Mr Stockwell: But that is not the question, and I would appreciate a response.

Mr Catherwood: But you are not letting me answer it. We had a recession and that caused a big chunk of it. We have had this transfer of deficit from the federal government to the Ontario government through the transfer payments, which is something that I think we need to take up with Mazankowski, not with you. I think interest rates have hurt the overall fiscal position of the government. The other thing is, look at what is being spent out there. I have yet to have anyone on our side or on the business side tell me where exactly it is that we are going to be cutting these things. I do not want to see a long-term run-up of the deficit or the debt in Ontario, but my understanding of it is that our debt position in Ontario, probably because of good management before, is quite solid. I do not think our numbers are projected to run up—the percentage of GDP or any of these other ratios that you measure debt by—to unmanageable proportions. That is not my understanding.

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Mr Stockwell: I will tell you, you are wrong.

Mr B. Ward: In your opinion.

Mr Stockwell: No, not in my opinion. In fact, you are looking at an increase of at least 2% in the GDP as compared to your budget and deficit figures. There is no question it is running up. The question stands, though: How can you achieve a healthy, prosperous economy when you are running these kinds of deficits? And you are saying "building for the future." Even you or your group cannot buy into the theory that running these kinds of deficit figures

for the next four years is going to be a healthy approach for the Ontario economy. Even you cannot accept that, I would think.

Mr Catherwood: I do not know what you mean by "even" me.

Mr Stockwell: I have heard that a lot of your groups have been standing up and supporting this budget.

Mr Catherwood: Yes, and we do. But you are treating us like we are off in some sort of corner. We are not. I just told you we are concerned about the idea that the debt would run up in the long term. But I also believe that if we can get some other things going in this province—for example, training and adjustment, where we get people back into the workforce faster, where we are not dumping people out when we have to make changes in the workplace—in the long term we will be able to build this economy up.

I happen to think the Ontario economy is one of the strongest in North America, and I do not know how you could possibly disagree with me on that. But you know, we have to find a fundamentally different way of dealing with the changes that are going on. This absolutely has to be done, and if we can do that we are going to have a strong economy. But you cannot say the deficit alone is causing people to run out of this province.

Mrs Cunningham: It is the projected deficit that people are worried about.

Mr B. Ward: Good presentation.

SCIENCETECH INC

The Chair: The next group we have is called Sciencetech. You have one half-hour. Try to save some time for the three parties here to ask questions of your presentation and your opinions. Please identify yourself for Hansard.

Mr Lazure: My name is Robert Lazure. I am operations manager for Sciencetech Inc, a small high-tech business situated here in London.

Sciencetech was born and raised here in London about five years ago. It began with four friends, three of whom once worked at PRA International, a London company that used to make lasers. In its first months, Sciencetech Consultants Inc, as it was then called, was but a part-time business for all involved. In 1986, I became the first to take this on as a full-time position, working out of my home, as do many small businesses. In 1987, we moved to the London Small Business Centre on Oxford Street, and with the help of manager George Stuart we developed a short- and long-term business plan and settled in a 1,200-square-foot space. By the time we left three years later, we occupied 1,800 square feet and had eight people on staff.

Today, Sciencetech designs and produces custom optical systems for medicine, research and industry, specializing in the fields of spectroscopy, lasers, biotechnology and holography. We have made instruments for many Canadian universities and companies. We export to the US, Mexico and Argentina. We have an engineering and production group in the south of London at a 5,000-square-foot facility. We have a research group in Hamilton located on campus at McMaster University, and a sales office in Georgetown

serving the Toronto area. Of a staff of 13, more than 50% are physicists, engineers or technicians.

I would like to address three areas in the 1991 Ontario budget which strongly affect Sciencetech, both now and in the future. These areas are, first: education and training for jobs; second, research and innovation; and third, manufacturing recovery.

First, education and training for jobs: Sciencetech welcomes Ontario's commitment to quality education. In the years to come, Sciencetech will be looking for technical people with various backgrounds. It is good to hear that spending increases will occur in this area. The effects of education are difficult to gauge in the short term. It is only with a commitment to the future that our expectations are realized. With over 50% of our staff in technical areas, education is the gateway to innovation and the future of our industry.

Second, research and innovation: These two words are key to Sciencetech. We know that today's research project will become tomorrow's production. To date, we have made an extra effort to maintain an internal level of R&D so that we can face tomorrow's marketplace. We are glad to see that this government thinks the same way in providing \$131 million for research, development and technology diffusion in 1991-92.

As do all new and growing high-tech companies, Sciencetech suffers from the shortage of investment capital. We welcome the increase of funds to support these activities, in particular the increase to \$21 million for the Innovation Ontario Corp. We especially appreciate the raising of the ceiling for individual investments from \$350,000 to \$1 million. Sciencetech is in favour of the government's spending in this area, which will provide new job markets and industries in Ontario.

Third, manufacturing recovery: Sciencetech realized from its infancy that developing single-item projects would not sustain its future. We have slowly been trying to develop a production group to better attract customers in providing a total product from concept to prototype to production.

Growth in the area of manufacturing is difficult and requires loans which banks are reluctant to provide in these difficult economic times. Sciencetech is happy to see that small and medium-sized companies have been considered in this budget, with up to \$57 million in financial assistance in the form of loans and loan guarantees.

These three areas—education and training for jobs, research and innovation, and manufacturing recovery—are all closely related. They are the process for a better Sciencetech and a better Ontario, all at the price of commitment.

Mr Chairman, I will leave you with a gift I received not too long ago. It is not gift-wrapped because I have been using it, but I feel it would be more beneficial to this committee. It is a nice stainless steel letter opener that I received from the Buffalo Economic Development group. It came with a nice letter offering low taxes, cheap electricity and other incentives should we consider moving our operations that way.

If we do not think of Ontario's future, who will?

Mr Phillips: That is a letter opener?

Mr Lazure: It is a letter opener.

The Chair: We will use that as an exhibit.

Mrs Cunningham: It has made its point at least, for the moment.

The Chair: I thought there was a double edge on it.

Mr Kwinter: Thank you very much for your presentation. At the present time, the average amount of gross domestic product that is dedicated to research and development in Canada is 1.3%. Ontario does a little better; it is at 1.7%. You can imagine where the rest of the country would be without Ontario's 1.7%.

Our major competitors, the United States and Japan, have set a target. Right now Japan is at about 3% and the United States at about 2.8%. They have set a target that by the year 2000—certainly Japan hopes to be at about 4.5%. We as a government, when we were in power, tried to get the federal government to go to 2.5% as a target; not as a target, but as a target. We could not get them to agree to it.

How do you feel about the commitment to research and development by all levels of government? What impact does that have on you?

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Mr Lazure: As you know, manufacturing is difficult in Ontario. The automotive is a very tight market—not that I know much about it—but we certainly need to look at other alternatives. Other industries must be explored.

I have always been in the high-technology field and think it is an area that has not been explored that much. I am in optics design. That area is really quite a minor part of Ontario and Canada. As far as I know, there is only one university that offers a course in optics in Canada. Optics is really the way a lot of things are going—such as communications; it services many industries. I think all levels of government should look at it a bit more seriously.

Mr Kwinter: We are pretty well considered worldwide when it comes to laser technology. We have Geraldine Kenney-Wallace, who has done a lot of work in that. She is now the president of McMaster University. What kind of environment allowed that to happen, and do you feel it is not continuing?

Mr Lazure: I do not have a good answer for that. Maybe you know of a few examples, but I think it could be helped out more. I do not think there are enough industries that have developed around those kinds of innovations.

Mr Kwinter: What about the centres of excellence program, the one particularly in that area? Has that impacted on you at all?

Mr Lazure: I think it is a good intention, but it has not really developed into something everybody could use.

Mr Kwinter: Do you have any suggestions as to how it can be improved?

Mr Lazure: I think they need to go to all the small companies and offer ways to help them. Really, it has been something further away that not everybody could use. I feel the same way about the centre of excellence for computer-aided design/computer-aided manufacturing technology. That has somewhat petered out and is not available now. It lasted for five years or something like that. Now when

seed CAD-CAM and computerized numerical control capability, it is not there for me.

Mr Kwinter: You have to understand that was a seed program. That was when CAD-CAM was a new technology and the idea of computer-aided design and computerized manufacturing had to be introduced. Now it is state of the art and CAD-CAM is routine in any company that is involved in any kind of high-technology production, even the smallest. You walk into any small firm and the first thing they do is show you their CAD-CAM operation. As a result, there was no need to keep funding that, because it was really seed money to get Canadian industry aware of the CAD-CAM potential. Now, of course, if you need it, there are people in the private sector who offer it. That is really why it was discontinued. It is certainly available; it just is not available from the government.

Mr Phillips: I appreciate your comments. I think many people now think the future of our value-added products rests in many more people being interested in the skilled trades and science and technology, and yet I think enrolment is dropping. Certainly in science and technology, I think we are headed in the opposite direction.

One of the conclusions of the Premier's Council was that we must get more people into science and technology. But if you go around the room, everybody is advising their sons and daughters to go into law and medicine and that sort of stuff. We cannot just say, "Do it." How do we change things so people actually want to go into science and technology, do go into it and do thrive in it?

Mr Lazure: That is a good question. I do not have an answer for that. I think it is probably the high school teachers. If there are enough who are excited about science, it is something that stimulates people to go into it as a career. There are certainly plenty of challenges these days with pollution control, new methods to take care of PCBs and chemical breakdowns and the ultraviolet concentration we are exposed to. There are plenty of problems. We just have to make it exciting enough for young people to go into it.

Mr Kwinter: I think the key is not the excitement, it is the remuneration.

Mr Lazure: Yes.

Mr Kwinter: Students are becoming very aware of their economic prospects. What they want is something that is going to get them a good, fast return on their investment in education and they do not see it in the science area. I think that is the key.

Mr Phillips: You know this field better, but in Canada we have an entrepreneur who has a really good new idea, gets it rolling to a certain stage and then I sense that an awful lot sell out to a larger US corporation for whatever reason: a threat, time to cash in, "I'm tired," or whatever it is. Is my sense reality? If it is reality, what do we do about it?

Mr Lazure: It is a very good question. I do not have an answer.

Mr Phillips: Darn it, we are looking for answers.

Mr Lazure: I just have an opinion.

Mrs Cunningham: You are here as part of a very exciting, innovative centre in London, Ontario, a small

business centre, and you started all this on your own. I am wondering if you would like to tell the committee about the centre itself, how it got started, whether there are government funds in it and just how it works.

Mr Lazure: The small business centre situated in London probably started around 1987. I think I was one of the first tenants there. It is funded in part by many groups, the Ministry of Industry, Trade and Technology, the city of London, the University of Western Ontario, Fanshawe College and possibly the London Chamber of Commerce. There might be others that I have left out.

It is situated in an old building on Oxford Street in the west end near Fanshawe College. It used to be an old Proto Tool plant. They cleared it all out and started building walls and different sections. There is a managerial office. George Stewart is the manager there and he takes care of tenants coming in. It is a fairly decent rent. He forces you to make a business plan and to go before a board to justify your existence in his place.

There is a library facility there. All government publications at all levels are there, different groups that can help you out with planning, computerizing your accounting and that sort of stuff. It is a very worthwhile project. I believe it is ongoing and it is full now. Businesses come out of it—I think their maturing rate is three years; the rent gets a little higher in the third year and a little higher still in the fourth year, so it is an encouragement to get out of there and do it on your own, and it has been beneficial to us.

Mrs Cunningham: Where do you see the future of your company?

Mr Lazure: Our markets are pretty well worldwide. London is good to us because we grew out of another company. Our ties are here, certainly in the engineering and production area, but we have to keep in touch with universities. That is why we went to the McMaster University tie. You cannot be a high-technology company on your own. You have to have links with industry and universities. We are committed to Ontario. We are all Canadian in the company and want to grow here.

Mrs Cunningham: I think it is interesting that the grants that go to universities and colleges and to municipalities—some of that money is filtered down into business. Not a lot of it; basically it is self-sufficient but I think it is a great prototype for our government to be looking at with regard to how things get started and how people get excited.

Right now we are looking at our school students. We are looking at a very large project where they can work with these small companies in order to become even more excited, so that they are not just depending on teachers in the classroom but on actual people like yourself who, I think, motivate young people. So far there is not a lot of support for that kind of thing basically because school systems are threatened by it, so we have more work to do.

I did not miss your "low taxes-cheaper electricity" shot. That is why I asked the question. We are here to talk about the competitiveness thing, but I think it is a perfect example. I certainly know that three of the ministers are coming down to visit the centre and I am very pleased that

you are here today. How did you choose to come before this committee?

Mr Lazure: The president of the company was asked to talk and I am taking his place because he is on holidays.

Mrs Cunningham: You have done a great job and I think he should possibly be the great manager of Ontario because he manages like we probably would like to see this province managed. Thank you very much for being here today. I hope my colleagues will take advantage of your presentation and listen as Mr Winninger and I present your institution as a prototype of what we would like to see in training and research and development.

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Mr Winninger: Mr Lazure, you seem to be doing everything right. You started your undertaking five years ago, invested in high technology and are increasing your employees virtually by the month. I understand you are turning away business because you cannot handle it all. You have been able to use government and private funding to push your project ahead. You are doing environmentally relevant things like breaking down PCBs and trying to control zebra mussels.

You seem to be a real success story and able to live with the budget and thrive on the money that is being invested in research and development; as you mentioned, the \$130 million. I am just wondering how you can be so successful and vibrant and relevant and progressive and productive and competitive and other businesses are coming to us and saying, "We just can't survive in this economy you've created in Ontario." Are you not a model for these other businesses?

Mr Lazure: Thank you for the compliments. I do not know why other businesses cannot do it. I know we sacrificed both time and money to make this work. We have done that since the start and we are dedicated to a future in Ontario. I just think it is hard work that gets you there.

Mr Winninger: Do you find anything objectionable about spending money during the recession to create jobs, retrain workers and improve job skills and technology?

Mr Lazure: I do not. I think it is a wise move. We are doing similar things because the market is going to be very tough out there. When things get good we are going to be left behind if we do not, so we have to get ready for it. Canada is going to have to get ready for the Mexico free trade agreement, which is coming whether we like it or not. We definitely have to prepare for that, and the European market—it is a world market out there. You are not competing against your neighbour any more. You are not isolated. You have to get ready for much tougher times coming.

Mr Winninger: How has the recession affected your particular enterprise?

Mr Lazure: It has been difficult, but of course we have spent a lot of time working on marketing the company and getting other customers. It is difficult but the payoffs are good.

Ms M. Ward: Thank you for your presentation. I was reading an article the other day about research and development. Everyone talks about R&D and how Canada is

lacking in this area. The argument of this particular article is that our problem is not in research, that there is not lack of basic research in Canada but really in the development and further on down the road. The ideas are there and maybe the technical knowhow but the problem is getting those ideas into production. That is where we fall down. Do you have any views on that?

Mr Lazure: I agree with that. Certainly our universities are full of basic research and many professors are involved in all kinds of very good problem-solving things. Definitely the problem is in getting that into industry and that is probably the difficulty of many research and development companies. They do not last because they cannot make a dollar on the

Ms M. Ward: Different skills are needed, as you have proven.

Mr Lazure: It is a difficulty because every development guy wants to do the best job possible, which ends up costing a fortune, so those kinds of projects run wild without funding and will never make it to product if they cannot live through that stage. We have recognized that and that is why we are definitely looking towards a production facility. As we bring our products through the prototype stage and work out all the bugs, that is the expensive part. Then you get it into production, which is another job to do, but you need to get through that. That is certainly where government can help industry bridge that gap and get into the new industries.

Ms M. Ward: How does your link with McMaster University work? Could you describe that briefly?

Mr Lazure: It is very nice. If we could have the same link with the University of Western Ontario, it would be good but maybe it is something you could look into. Industries definitely need the link with universities. The nice thing about this is that you get a university account and have fantastic facilities. You can use the machine shops—not that we do not have our own—X-ray technology, CAT scans and all sorts of development tools that are not available to you as a little company. It is a terrific foot in the door. I can get all kinds of tubing, Teflon tubing and all kinds of stuff there. I would have to buy \$100 minimum. I bought it in any other store at a reasonable price. They are all little things but they add up to a really winning combination in making a company.

Ms M. Ward: So that is something we should pursue.

The Chair: I would like to thank you for appearing before this committee and for the insight you have given us on your company and how it is performing here in Ontario. The committee will recess for five minutes.

The committee recessed at 1057.

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LONDON CHAMBER OF COMMERCE

The Chair: We will resume with the London Chamber of Commerce. As all members have your written brief in front of them please leave some time at the end of your half-hour presentation for questions. For the purposes of Hansard, please identify yourselves.

Mr Thomas: My name is Bryan Thomas. I am the past chairman of the board of the London Chamber of Commerce and here today with me is Jim Etherington, the current chairman of the board. On behalf of our more than 1000 members of the London business community and our board of directors, we thank the committee for this opportunity to have our views regarding the Ontario budget heard.

The London Chamber of Commerce has some very grave concerns about the Ontario budget for fiscal 1992. These concerns centre on the size of the proposed deficit. The announced \$9.7-billion deficit in fiscal 1992, when combined with projected sizeable deficits in the following fiscal years, we believe will add up to financial chaos for our province.

Mr Laughren's recession-fighting approach, as he has called it, rather than a fiscally responsible one, could not be in our view further off the mark. The more the government attempts to fight this recession by injecting capital which it clearly does not have, the slower will be the recovery from this recession. Certainly the lesson learned by the federal government in the early 1970s and 1980s should be heeded. It is well known that governments which attempt to spend their way out of recessions simply leave a debt-ridden legacy.

The Ontario government is demonstrating that it has little understanding of the emerging one-world marketplace and the need for Ontario to be competitive in that marketplace. This budget is accelerating the perception in international circles that Ontario is a poor place to conduct business. By creating a business climate that is not conducive to generating a reasonable profit, the result will be less investment from companies already located in Ontario and certainly much less from companies considering Ontario as a place to invest. Down the road this clearly means fewer jobs for all.

In particular, we believe the timing of this budget is poor. The business community here in London is well on the road to recovery from the recent recession—and you notice I said "recent"; we believe there are significant signs that we are recovering—by means of normal economic processes. This budget has been a kick in the stomach to that recovery, in our view. Just as business confidence was growing, uncertainty regarding the future business climate has returned.

Perhaps the most startling of all is the government's apparent inability to understand the simple realities of the world of the 1990s. It seems to think we can build a wall around Ontario and exist in a vacuum. In our view, what the government must do is provide an economic environment which is conducive to attracting investment from around the world. Instead, it is virtually saying, "Please take your money elsewhere, we don't want you in Ontario."

At a time when most other governments in the world are moving towards a society of individual freedom and responsibility—save the USSR as of yesterday, I might add—in Ontario we seem to be moving towards greater and greater government control. In this climate business will surely look elsewhere. I think there has been lots of evidence of that since the government brought down its budget. Jobs will continue to disappear.

The London Chamber of Commerce believes the Ontario government will be forced both to significantly raise taxes in the coming years—that is, existing taxes—as well as to create new taxes to achieve the objectives outlined in the budget. Unquestionably, its economic growth projections are too optimistic given the aforementioned climate. Already, both individuals and corporations are taxed too highly in this province. We find it difficult to compete with companies from the US and elsewhere. Our citizens continue to shop in the US because Ontario goods are too highly taxed. Until we can bring our taxes in line with our other major international competitors we will simply continue to lose market share and I think you know what that means for all people in this province.

Those are some general comments. Let me give you some specific items contained in the budget that we have some concerns with.

1. We calculate expenditures up over 13%. Throwing money at our problems is not the answer.

2. We estimate the real deficit to be in excess of \$10 billion, possibly much higher if the optimistic growth goals are not met. This is assuming normal accounting procedures are followed and capital expenditure costs for those are included in the current budget.

Mr Stockwell: Do not assume that.

Mr Thomas: All right.

3. It will be impossible to lower the deficit to \$7.8 billion by 1994-95 as originally announced without significant tax increases and new taxes.

4. Incentives for investment in manufacturing will be removed in December of this year by the removal of the Ontario current cost adjustment. This will be a further disincentive to private sector productivity improvement and to investment in Ontario.

5. The budget alludes to several retroactive pieces of legislation such as the wage protection fund and rent control legislation. Ladies and gentlemen, changing the rules long after the game has been played further adds to the sense of uncertainty of doing business in Ontario. Every time the government does this kind of thing you create uncertainty and you are adding to the climate that people will continue to develop of saying, "Let's go elsewhere, south of the border." It will surely scare more business from the province.

6. The fiscal irresponsibility displayed in the budget has added a huge extra burden on taxpayers due to the loss of our triple A credit rating and, of course, the resulting significant increase in carrying costs.

7. The budget assumes the protection or creation of 70,000 jobs. We estimate that less than 1,000 of these will be new jobs; the rest are what are being called protected jobs. These few jobs will be created at a very significant cost indeed.

8. The 40% increase in surtax on higher incomes is a strong incentive to be less productive for many Ontarians.

9. The 1.7 cents per litre tax increase on gas, which has already happened, and then the same increase in January, is certainly the final blow to the trucking industry in this province and a slap in the face to all drivers in Ontario. It

surely has exacerbated the existing transborder shopping problem as well.

10. The tobacco tax increase of 1.67 cents per cigarette is a further blow to an industry that is already crippled. We certainly understand the health-related reasons but on the economic side it is a blow.

11. The increase in the gas guzzler tax, which we know has been amended since it was first tabled, will still hurt area manufacturers such as the Ford Talbotville plant, although we know it will be to a lesser degree than originally announced.

12. We believe that funding for Ontario's technology fund, the R&D superallowance and the manufacturing recovery program are bones thrown to the manufacturing community, the business community. Candidly, if we thought the government would use this money to pay down the deficit we would ask you to keep it.

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13. The surtax on corporate profits over \$200,000 in January 1992 is an incentive to be less profitable, once again providing incentive to lower productivity rather than to improve it.

14. Changes to the Mining Tax Act will discourage new mining ventures.

15. The significant increase in spending on numerous social programs is simply not the answer to the social problems of the province. A better course of action would be to create a positive business climate which would result in growth, the creation of new jobs and more prosperity for all.

In conclusion, the London Chamber of Commerce believes that the government's goal of sustainable prosperity is simply a pipedream, there will be less prosperity for all in Ontario. If the government wants more jobs, which is one goal we certainly have in common, then they must give us the freedom and the level playing field to produce and to compete with our international competitors. Given this incentive, the business community will grow and it will produce more jobs for this province.

In short, for the sake of all Ontarians, the Ontario government should keep its hands off the system of free enterprise that has made this province prosperous, one that used to be the admiration of the rest of the world. In the strongest of terms we urge the government to rethink this budget and to submit a balanced budget, a real balanced budget for this current fiscal year. Driving us further into debt is surely neither the answer to our current economic problems nor the foundation upon which a prosperous future is built.

That concludes our formal presentation. We would be very happy to enter into a discussion with the committee.

Mr Stockwell: There is one comment from the government benches about the high credit rating and the high dollar. I would like your thoughts on my thinking that it is related directly to the amount of debt or the amount of borrowing any government or province must incur. It seems to me that if we are always going offshore to borrow we must keep our interest rates higher to get the money. If we are keeping our interest rates higher it simply drives up the value of the dollar, and by going further into

debt you are simply, using some of your terms, exacerbating the high interest rate/high dollar problem.

Mr Thomas: We could not agree with you more, Mr Stockwell. We believe that at the root of all evil, in terms of our economic problems, are the high amounts of debt governments at all levels are carrying. For God's sake, let us look at the federal government, the kind of spending that went on in the 1970s and 1980s.

You know that 38 to 40 cents on every tax dollar collected by the feds is going to pay for the deficit. I know the Ontario situation is far less than that, but all we are doing is pushing the panic button saying, "If you stay on this course you will never be able to afford the payments in the future. You will be as bad as the feds." Nobody wants to be caught in that situation. Their hands are completely tied, they do not have the cash flow now to do the kinds of things they would dearly love to do for the citizens of this country. If you go on spending more than you take in you are going to drive this province into that very situation.

Mrs Cunningham: On your last statement, Mr Thomas—either you or Mr Etherington—my colleagues on the other side of the room are going to be absolutely furious with you for talking about balancing the budget. What kind of things, let us say to manage in a more responsible way, can the government do? What kind of solutions do you have? At the same time I would like you to talk about social programs because some of us, not myself, but certainly others, get accused of not caring. Perhaps you can talk about balanced budgets and just what kinds of things we should be looking at in the year to come.

Mr Thomas: Let me first respond by saying that we believe the balanced budget is a must across all sectors including social programs, but also those things given to the business community. I talked about some of the incentives in our presentation being offered to the business community. Fine, cut those as well, but we would like to see cuts across the board.

In the area of social programs, I think many times the business community is unfairly felt to be heartless. That is not our view at all. We just believe in responsibility. We believe that if you have too much incentive for people to live off the social system, like all human beings we are going to try to take that course. We are very much in favour of a safety net there for people who genuinely need it. We do believe, however, that some of the requirements for getting funding from the government should be more stringent than these things have to be more carefully looked at.

By no means are we advocating that those programs for poor people and the people who really are in temporary need of help should be affected. Should they be judiciously looked at to make sure only those that really need the support get the money? Yes, but we believe the opposite is happening: that a gravy train mentality, if you would, is being created. We are human beings; we are going to take more and more advantage of it, if we can, right across all sectors.

Jim, do you wish to comment?

Mr Etherington: Only that one of the ways of balancing budgets obviously is to reduce costs in many different

reas. The cost of government is one that is of concern to all chambers in the country and to our chamber, and we look with interest at the plans by the federal government to cap increases in salaries. Over the past few years they have actually reduced the growth of government. But we do not see in the current budget any intention to reduce the size of the Ontario government or to cap the increases in costs of the provincial government. We think that was something that was missed and it should have been in there.

Mrs Cunningham: I have recently returned from Victoria, British Columbia, where there were great discussions about which countries we were going to be able to borrow from. The Japanese community was well represented and informed us that they own about \$55 billion. I am just wondering what your thoughts are when it comes to interest rates. We keep hearing the criticism. How does it work? Would you like to enlighten us as to our federal debt, and what can be done about it other than cutting it and getting rid of it, and where do we get the money from to pay it back?

Mr Thomas: From taxpayers ultimately, and that is the real crime of what is happening at the federal level and why we so strongly believe the province has got to learn from that lesson in history. Clearly they cannot handle the amount of debt; they are going to have to keep borrowing.

If you look at a straight operating cost, minus the feds' carrying costs of their very large, approaching \$400-billion debt they actually have about a \$10-billion operating surplus, but it costs them about \$40 billion in interest, thus the \$30-billion publicized figure you hear so much about. That is going to happen to Ontario if we keep spending, spending. The only way to pay it is to borrow more. Sooner or later somebody has got to pay for it out of operating costs.

Mrs Cunningham: How do our interest rates go down then?

The Chair: Excuse me; I have got to go on to Mr Jamison.

Mrs Cunningham: I can fit it in somewhere else.

Mr Jamison: Thank you for taking the time and making the effort to come here today to make your presentation. You have given a very specific, physically responsible approach to the whole question of the budget here today, although I would like to point out that this government had an \$8-billion shortfall without any new spending, and we are, in fact, in the worst recession in 50 years.

You have been in possession of the budget since, I would imagine, late April and obviously you have been studying it and you have made a number of recommendations in a general sense to us. You have also indicated in your document that, and I will read it back to you, "In the strongest of terms we urge the government to rethink this budget and submit a balanced budget for the current year."

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It leads me to a question and I have asked this same question to a number of your colleagues who have represented chambers of commerce. I was saying that you have been in possession of the figures and so forth and you are calling for a balanced budget in the current year. It would mean a lessening of expenditures at this point of \$9.7 billion.

Seeing that you have the information and have had it since April, I would like you to be specific in where you, as a chamber of commerce, feel that \$9.7 billion worth of cuts can be made.

Mr Thomas: I think, in the same answer I gave to Mrs Cunningham, that right across the board, in all areas, we are calling for the government to cut in all departments. We would like to see you start with reducing the number of civil servants, reducing the bureaucracy, all departments.

Mr Jamison: I understand that. I am sorry if I have left myself vague because I am asking for specifics here.

Mr Thomas: I am giving you a specific answer. You can take 10% right across the board in all departments. You see, governments love to grow. They love that power, but this money belongs to the people, all right? And the people are fed up with paying taxes right across, municipal, provincial and federal. What we are saying to you is start that ball rolling in reverse. It is a great big snowball rolling down the hill and if you do not start rolling it back the other way, it will keep getting bigger and bigger. Start with the business community, start taking some of the stuff away in your budget that you are offering to the business community. We will be first in line to take our cuts, but we want everyone else to take their cuts as well.

Mr Jamison: You are talking housing, you are talking everything.

Mr Thomas: Everything.

Mr Jamison: Okay. Would it be fair to say that the transfers that were paid to municipalities, which reflect very directly on your own members in the area of municipal taxes, is an area that should be cut by 10% and shifted again to the municipalities, because you have just finished saying, "across the board"?

Mr Thomas: I am very much aware that the federal government has reduced its transfer payments to the province and the province is therefore forced, unless it wishes to really increase taxes, to reduce payments to the municipalities. Yes, we are calling for all three government levels to stop having that ball get bigger and to start having it get smaller. Yes.

Mr Jamison: So you are asking for a 10% cut to municipal transfers. I just want to be clear on that.

Mr Thomas: As long as all other areas are also receiving cuts. I am not looking for selective cutting, Mr Jamison. We are looking for cuts across the board. So if you are saying, "The London Chamber of Commerce is in favour of cutting in one specific area," no; we are in favour of cutting in all areas.

Mr Jamison: Education?

Mr Jamison: Yes. Across the board, absolutely in education. We have made this presentation to the London board of education. They are also on a spiral of spending and an environment of increased students and less bucks coming from governments. They have to cut back too across the board. Yes.

Mr Winner: Certainly the civil servants are productive members of the economy. They contribute to the economy in terms of the taxes they pay, and some people

have argued that the US is following us in coming out of this recession because of the lack of public sector spending; but aside from all of that, in the short term, are you going to have hospital bed cuts? Are you going to have schools closed?

Mr Thomas: Yes.

Mr Winninger: Are you going to see municipal property taxes for people on fixed incomes go up if we adopt your model?

Mr Thomas: You see, we are all living beyond our means. That is exactly what we are saying. It is money that we do not have that you are spending. You are mortgaging the future to subsidize today's living. That is what we are opposed to. Yes, across the board, we all have to learn to live with less because it is not there.

Mr Winninger: It seems to work in Germany.

Mr Kwinter: Mr Thomas, in representations that have been made to us virtually every chamber of commerce has echoed to some extent what you have said. On the other hand, when labour and some of the other groups make their point, you are perceived to be the enemy. The feeling is that you are not paying your fair share of taxes, that in fact the taxes you are paying as a proportion have been reducing regularly. We heard that this morning. The feeling is that if business and the wealthy would pay their share, everything would be fine. What do you have to say about that?

Mr Thomas: Let me just say that the greater question is ability to compete. You can go ahead and put greater taxes on all the corporations in this country and in this province if you wish; all they will do is go elsewhere where there are safer tax havens, frankly. If you do not make Ontario a good place to make a profit for companies, they will go elsewhere. Candidly, that is what they will do. There will be those that stick around because they believe in this place. Like it or not, business is all about making a profit, and if they cannot make one in this province, they will go elsewhere.

Mr Etherington: Just to add to that, in my other life I work for London Life Insurance Co. We provide group benefit policies to about 16,000 businesses in Canada. The greater percentage of them are in Ontario. We are one of the first to be told if a company plans to cease doing business or to reduce its numbers of employees. We started noticing in January a dramatic increase in the numbers of companies that were notifying us that they no longer plan to continue doing business in Ontario. One of their first questions was: "Do you have a firm in Tennessee that you can refer us to? Do you have a firm in Buffalo you can refer us to?" So we started going back and questioning them: "Why are you closing down? Is this the free trade thing? What is kicking in here?" The answers were always three: increasing levels of taxes, increasing levels of government bureaucracy and increasing intrusion by the provincial government, and that is why they are leaving.

Nothing conclusive, of course. I know that the province of Ontario is doing studies, Stats Canada is doing studies, trying to isolate the absolute numbers of these movements taking place and the reasons why. We are convinced that the reasons we are hearing are the right reasons.

Mr Thomas: It is not just the companies; the citizen: the same people who are in here complaining to you that the corporations are not paying their fair share of taxes are off shopping in the States every weekend because they do not want to pay their taxes as well. Candidly, for all people, for so-called rich people, the poor people and everybody in between, we have to have a system here in which taxes are reduced so that they will buy products that are made in this province; they will not go across the border; companies will not be shipping off to Mexico or the US or elsewhere. That is what makes the world tick, folks.

Mrs Sullivan: I would like to proceed with another question. One of the things you have alluded to in your brief relates to the confidence for future investment that is undermined by this budget. You have mentioned a couple of areas where there has been enormous uncertainty created by this budget and by policies that flow through government action as a result of the budget. You have mentioned that the OCCA was changed in midstream without notice and without consultation and has directly affected manufacturing capital investment. You have talked about retroactive legislation in housing and labour.

One of the other areas that I see as environment critical for our party relates to environmental legislation and regulations which have either been postponed—whether it is pollution control or waste management issues—or there has been such uncertainty created that business people are not making decisions about adding pollution control equipment or their investment capital has been taken right off the table. I wonder if you could talk about how rules changing in midstream and the uncertainty that it has created has affected business and industry in your community.

Mr Thomas: Absolutely. Nothing could be more devastating. The business community thrives on knowing what the future is going to be all about. They are not going to spend millions of dollars on new capital projects or get into whole new areas of any other kind until they can count on the future, 10 and 20 years down. That is how they get their money back. Take a look at what is happening in the stock markets and financial community today across the world because of what is happening in Russia. The instant things are uncertain, the business community stops everything because they know it takes 10 and 20 years to get their money back. Nothing could be more injurious to business than to change the rules retroactively, because suddenly you create a climate in which they say: "My gosh, I better not do this in Ontario. What kind of a law are they going to come up with now that will catch me for something that I thought was legal last year and now they are saying it wasn't?"

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Mr Etherington: And new costs creep in. One that you perhaps are not familiar with is part of the Ontario auto insurance act which was passed last year. There was a clause put in—and Mr Kwinter would be familiar with this one. To fund the cost of the new Ontario Insurance Commission there would be a levy placed on insurance companies. At that time it did not apply to life insurance

companies, it only applied to the auto insurance companies subject to the act.

In January this year the life insurance industry was notified that they too were to pay costs towards the Ontario Insurance Commission retroactive to last June, after budgets, of course, had been set for 1990 and the costs of product had been passed on to our customers. You add that a number of other things and the point that we make is, please do not do that any more. It is difficult enough to stay in business without any more of this stuff.

The Chair: Your comments will be noted.

UNITED CHURCH OF CANADA

The Chair: The next group is Rev Susan Eagle and Rev Peter Scott. For the research staff, could you say if you are coming as individuals or representatives of the United Church? You have 15 minutes for your presentation. Leave some time at the end if you wish for questions from the three parties. Identify yourself for the purposes of the record.

Mr Stockwell: I take it you are Peter.

Mr Scott: I am Peter Scott. I will start the presentation. We represent today the London Conference Church in Society Committee of the United Church of Canada. Just quickly to explain what that means, the London conference of the United Church covers eight counties in southwestern Ontario plus the district of Algoma. Only God knows why the district of Algoma is connected to the eight counties down here, but anyway, eight counties starting with Essex, going west to Oxford, Perth, Huron, Lambton, etc., that chunk of property.

We are here to present a position based on policy of the United Church of Canada and the policies of the London conference. Those policies are arrived at through a representative democracy similar to the governments of Ontario and Canada. Local congregations elect representatives to presbyteries. Those presbyteries elect representatives to the annual meetings of the conference and the conferences elect representatives to the national body. Those elected representatives formulate the policy for the church.

I want to distribute some copies of policy on economics, both the national policy of the United Church of Canada and the regional policy of the United Church of Canada, one on one side, one on the other, that has been formulated over the last 59 or 60 years and reiterated from time to time. This is not to say that every member of the United Church would agree. As in any democracy, there are those who agree and those who disagree, but in the method that the church has chosen to formulate its policy, these are the policies that have been formulated by that procedure as I have outlined it.

I am not going to read what you have got; I am sure you can do that while I am talking. Being a preacher, I now people read while you talk. I will talk and give you a chance to read the stuff. During those years the United Church has gone on record calling for some of the following things that you will find outlined there: guaranteed annual adequate income, fair pay for a day's work, a just sharing of the country's resources, progressive taxes based on income and wealth rather than on consumption, full employ-

ment and job security. That is national policy. It has enunciated that and reiterated it over and over again since 1932.

Locally during the last 10 years meetings in the London conference have voted to support the social assistance rate being brought up to at least the poverty line and increases in the minimum wage so that those working at least make as much money as designated by the poverty line.

Ms Eagle: We make our presentation to you today with two very clear perspectives. One, that this is a tough economic time, that tough decisions have to be made economically; and second, that Canada and Ontario are a resource-rich land with much more than enough wealth to provide an adequate income and lifestyle for all its citizens.

First, the economic reality: We acknowledge that the provincial government has a very difficult task in making budget decisions. Much of the present economic problem is a result of the current recession, cutbacks in federal transfer payments and the very unwise federal decision to give a further blow to the Canadian economy through the free trade policy and the GST. These problems have not been caused by the provincial government, so we sympathize with the provincial government in the decisions that it has to make.

On the other hand, we recognize that this is a country with resources and opportunities. As a church, our spiritual vision offers us the hope of a future with full employment, community-based economic development, adequate and secure incomes and shared benefit of resources that are protected and renewed, not squandered and exploited. Therefore, as a United Church delegation, we applaud and encourage those budget initiatives that are the means to support that vision.

Mr Scott: We affirm the philosophy underlying the provincial budget, at least I will quote a part of it that we want to affirm anyway, where it says on page 86: "The central goal of the Ontario government's economic strategy is sustainable prosperity.... A prosperous society must provide high levels of employment in well-paying, high quality jobs. Prosperity must be environmentally as well as economically sustainable. It must also be socially sustainable, which requires that the costs and benefits of economic change be shared fairly."

We affirm that. We affirm the budget's wage protection fund in this light and the increased spending for retraining and literacy programs, the funds directed to interest relief for farmers and the settling of land claims for aboriginal peoples. As the United Church, we support the additional initiatives of 10,000 new non-profit and co-op housing units and the additional funding for social assistance reform. We support the decision to increase the deficit rather than cut social programs during times of extreme economic hardship in the province. We do not see the advantage of making things worse.

Ms Eagle: We have said the things that we want to affirm, but there are a few other things that we would like to say that are concerns. As a national United Church, we are on record as supporting economic policies which place the needs for employment and wellbeing of people and sustainability of communities ahead of the free movement

of capital. We therefore call on the provincial government not only to espouse the philosophy but to put in place economic policies which make the eradication of poverty and homelessness priorities in Ontario spending and social programs. I say that from the perspective too of being a community development worker working with families that are on social assistance and knowing that people do not make it to the end of the month on the incomes that they have.

Specifically, to put those policies in place would mean increases in social assistance that would bring rates to at least the poverty line and indexed to the cost of living. We just heard a presentation from a group that talked about some kind of gravy train. I do not know what kind of world they are living in, but there is no gravy train for those who are on social assistance. Social assistance is still way below the poverty line. Increases in social assistance have been to deal with the increased numbers, but they have not increased the number of dollars in people's hands who are on social assistance.

Further increases in minimum wage, fairly and justly recognizing the labour of workers but also addressing the gap that is continuing to grow between the richest and poorest of Canadians and Ontarians.

Another recommendation would be further increases in the provision of not-for-profit and co-op housing to address the real crisis in housing, one that is keeping people on waiting lists for two years at a time while thousands more are engaged in daily battles with cockroaches and landlords, not necessarily in that order.

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We also propose a further involvement in job creation programs but through community-based economic initiatives that allow for new models of ownership and control including private, government, joint venture, employee and community owned.

And another recommendation that we make is a twinning of social policy and economic planning through cabinet committees, interministerial initiatives and with the inclusion of community people in that decision-making.

I want to say a word about revenue because I am sure someone is going to say, "Well, if we are going to do all that, where is the money going to come from?" Certainly, it should come from the rich, especially the ones that are getting richer all the time. We affirm the tax changes that have been made in the budget. The raising of taxes for those with incomes over \$84,000, the dropping of taxes for those with the lowest incomes. We affirm the initiative the government has taken in setting up a tax reform commission, but we remind the government that the United Church, for many years, has been on record supporting progressivity of taxes based on income and wealth, rather than on consumption, so we would not support further increases in sales tax. We support the elimination of tax avoidance, the placing of a greater share of the tax load on corporations, and since 1982, our regional United Church conference has supported a policy of an excess profits tax on banks.

These are the matters we wish to bring to the committee. The two of us are here also as people who represent not only the United Church but those who personally work

with those who are hurting, those who are struggling. We through the church, have been pushing for increases in food banks, but knowing that is only a Band-Aid, that at some point somebody has to bite the bullet and take seriously the plight of the thousands of people in this province who are going down the tube.

We are a resource-rich country. We have the means to provide that kind of lifestyle for people, if we decide it is political priority.

Mr Sutherland: It is a pleasure to see both of you here. I know both of you have been very active in the community in dealing with housing issues, poverty issues.

You were here for the previous presentation. They indicated that we should have balanced the budget. Could you give us what you think the impact would have been with the people you deal with on a daily basis if we had a balanced budget as the presentation had asked for.

Ms Eagle: Genocide. You would simply have people dying. I mean, you have people now who cannot feed their children at the end of the month. And also, if you do not provide the kind of income that people need in the first place to feed their children, then down the road you are paying huge increases in health costs, and all kinds of other costs to make up for the damage you have caused. There is no way to make up for the damage done to children who cannot eat, and I see them daily. They are not a figment of the imagination at all.

Mr Phillips: Back on the revenue side, what worries some people is the country: The federal government is bankrupt; like it or not, it is bankrupt. And there are some who worry that even to sustain our current level of services may be difficult unless we get economic activity going. I know it is fashionable to say, "Tax the corporations." But if you double the corporation taxes, take twice as much from them, it is still only, perhaps, \$3 billion. Double the taxes and I am not sure that many corporations are left here. No one disputes the immense needs out there, but is the United Church at all concerned, perhaps, about the fundamental economic future of the country, and any recommendations you would have for us if you are concerned? If you are not, fine.

Mr Scott: Of course we are concerned about the economic future of the country. But economics is not separate from the human future of the country and the environmental future of the country, and we think that those things all have to be connected and worked on together.

Mr Phillips: Of course.

Mr Scott: And what we hope, what we pray for as a church, is that we do not lose the vision that we think this country once had of a place where we care for people—not just poor people, all people; and that business and industry and everybody would share that vision and work toward that same goal. We are not discounting business or the needs of business. We want those people to be treated like people and have them treat everybody else like people.

Mr Stockwell: It is hard to know where to begin, actually. How can you suggest to me—for social development and economic fairness or vision, I forget the words you used—that you would increase the tax on corporations

do feel they are being overtaxed right now? Create a tax that if you make too much money and become too efficient, you get taxed? Do you think, maybe, you are taking the incentive out of the economic, the free-market system to do business here?

Ms Eagle: No, not at all. I think if you look at some of the material that is being produced by the Fair Tax Commission, you will find they have well documented the fact that it does not take incentive away from business to be taxed. Neil Brooks has prepared numerous papers looking just exactly that. To suggest that corporations are being unfairly taxed is not realistic.

We have a growing gap in this country between rich and poor. That also has been well documented. Those of us who have been out on the street for a number of years have seen it, but now the economists are documenting it. In the last 10 years Canada added eight more billionaires. We have one of the highest billionaires per capita rate of any western country. There is something very, very wrong with people who have affluence crying, when there is none to go around for those who cannot eat at the end of the month. Personally, I am getting awfully tired of being told that rich corporations cannot afford to share the wealth that they have unfairly taken from the rest of the members of this country.

Mr Stockwell: I guess I am personally getting offended by people suggesting that people who make money have unfairly taken it.

Ms Eagle: They have.

Mr Stockwell: That is bogus in my opinion and an argument that does not even deserve comment. Not being realistic? I think you are the one that is choosing not to be realistic. The next question—

The Chair: No, there is only one question there. I am sorry that the time has run out.

Mr Stockwell: Unfairly taken! What a bunch of bunk.

The Chair: We appreciate your presentation to this committee.

Mr Stockwell: It is like they stole it.

N'AMERIND (LONDON) FRIENDSHIP CENTRE

The Chair: The last group for this morning's session will be the N'Amerind (London) Friendship Centre. For the purposes of Hansard, please identify yourself. You will have 15 minutes for your presentation. Try to save some time at the end, if you wish, to have the committee ask questions.

Mr Dockstader: My name is Thomas Dockstader. I am the executive director of the N'Amerind Friendship Centre, the North American Indian friendship centre, in London. We are one of 24 native friendship centres throughout the province of Ontario and we belong to what is called the Ontario Federation of Indian Friendship Centres.

We are the largest native service agency in the city of London, meeting the needs of native people in the areas of community liaison, community development, day care, children's programs, criminal court work, family court work, and starting this fall, our own secondary school.

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We support, and in most cases we assisted the startup of, all six of the following native agencies: Atenlos Native Women's Anti-abuse Centre; No Kee Kwe Occupational Skills Development Inc.; Native Inter Tribal Housing Co-operative; First Nations Housing Co-operative; and two native women's organizations in London.

We have a complement of 20 full-time staff members. With our summer youth employment programs, we employ up to 15 part-time staff members. Our core staff, the administrative arm of N'Amerind, employs six staff members, with funding coming from the Secretary of State of the federal government. Our program staff receive funding from two primary ministries of the Ontario government: the Ministry of Community and Social Services and the Ministry of the Attorney General.

For our newly-created secondary school, we are in a partnership agreement with the Ontario Federation of Indian Friendship Centres, the Ontario Ministry of Education, and the Board of Education City of London, under the direction of the secondary school pilot project of the Ministry of Education and the Ontario Federation of Indian Friendship Centres. Funding for the school has come from the London board of education and our own funding from the N'Amerind Friendship Centre, with a small grant from the native community branch of the Ministry of Citizenship, and that again comes through the Ontario Federation of Indian Friendship Centres.

N'Amerind is directly accountable to the entire London native community, which sanctions all programs and services annually with the election of a 12-person board of directors. Our annual operating budget is just under \$1 million a year.

We are here today to speak in support of the London native community, which has a total population of approximately 7,000 native people. While many of us have citizenship in the eight first nations of southwestern Ontario, we are also comprised of Metis people and citizens of many other first nations, Inuit people, and what you call the non-status native people.

At N'Amerind we make no distinction among native people, except to state that we will serve all native people in London regardless of any government designations. Our people will eventually choose for themselves how they wish to be represented politically. That is for them to decide. The delivery of services is what our people expect of us at N'Amerind. All of our programs and services started because our people wanted and needed these programs and services. When other agencies became necessary, our people expected N'Amerind to help and assist in whatever way we could to create those agencies.

We have been in existence for 16 years. Today we are still in the process of creating new entities to serve our people. We at N'Amerind applaud the government of Ontario's continued and increased support for our people who have their homes in the city of London. We must implore you, though, to share more of the revenues which derive from our shared inhabitation of the land you call Ontario.

We are pleased about our shared experience called the Sweetgrass Secondary School, but N'Amerind had to borrow money to pay for the portable schoolroom which will

shortly house 25 native students. To date, the Ministry of Education has contributed quite a bit of free advice, but no capital dollars and no operating dollars. We do not wish to dwell on the negative, but how does anyone say positively that native students attending schools in the London city schools have a dropout rate of 80%? We believe that Sweetgrass Secondary School will achieve better results. But it also takes dollars to build and operate a school.

We anticipate that with the purchase of the building, which we have done, plus the site plan preparation, which the city has imposed on us, we will require \$150,000 in capital. We will need at least two native education support counsellors, plus operational support, totalling \$200,000 annually.

The Ministry of Education simply has to do better. Before N'Amerind and our two sister friendship centres in Sudbury and Fort Erie even got consideration for funding for our secondary schools, the Ministry of Education committed over \$500,000 of the \$1 million in the demonstration pilot project fund to first nation territories.

We have no quarrel with first nation territories. We have a problem with designating your favourite Indians.

Let N'Amerind be clear here. We want Ontario to stop making the mistake of ignoring the needs of urban native people who, by the way, make up over one half of the total native population in Ontario.

In London alone, the aboriginal population is more than the combined population of all eight southwestern Ontario first nations. We must not be overlooked in the grand scheme of the Ontario government's statement of political relationship with first nations.

Likewise, our people are suffering from the lack of opportunity, and are in need of healing from their own people. So while the Canadian government discontinued our drug and alcohol abuse counselling unit, the government of Ontario has to consider what it costs to house and feed a native man or woman in its prisons, compared to funding N'Amerind and other friendship centres to help prevent our own people from sinking into despair that ultimately puts them in your costly and non-rehabilitative jails. Our drug and alcohol program would cost \$90,000 annually and we pledge to serve our people and your people equitably and justly.

Finally, we have a joint proposal for consideration for your government from N'Amerind and Atenlos, the native women's anti-abuse agency. We propose to operate a native inmate liaison program totalling \$129,000, to help our native brothers and sisters who are incarcerated have hope for the future so that we can save you some space and money by reducing the native population in your jails, which our people now inhabit to the point of over 50% of your jails' population. We can help our own people with trained native professionals in all fields, from administration and management to counselling to education to court workers and more.

If you are committed, as you say you are, to aboriginal peoples' right to self-determination, you can share the revenues which you reap from the resources which we share with you and dedicate those revenues to funding the efforts of native social agencies such as N'Amerind.

On behalf of N'Amerind Friendship Centre, we wish you the wisdom which the creator gave all of us to see some value in what we have shared with you.

Mr Kwinter: I just wanted a clarification. On the bottom of page 5, you say that the native population makes up over 50% of the total jail population. Is that accurate?

Mr Dockstader: Yes, it is.

Mr Kwinter: That is throughout Ontario?

Mr Dockstader: Yes. I believe 52% is actually what the stats point out. Your own government did a survey and looked at the population.

Mrs Cunningham: Thank you for your brief. It was most informative. You have updated me considerably as to the centre and what you are doing. Maybe it is off topic but I am wondering how successful your Sweetgrass pre-school program has been—the day care centre.

Mr Dockstader: We now have space for 32 kids. What separates it from other day cares is its unique resource centre where the kids are taught their traditions. This is integrated into the system so that, in addition to them having their basic needs taken care of, they are also reinforcing their identity. Currently, Ojibway and Oneida are taught to them.

Mrs Cunningham: How many children are in there now?

Mr Dockstader: There are 19 right now.

Mr Winner: You heard perhaps the chamber of commerce here earlier suggesting that we can wipe out spending, we can wipe out the deficit, we can wipe out the \$48.5 million that we have allowed in the budget for settling land claims, for negotiating self-government and improving the quality of life for our reserve and off-reserve urban people.

I am just wondering, in terms of a statement of political relationship, what good that is if you do not get some kind of social and financial support to build your economic infrastructure for improving the quality of life of native people. Where would you be in terms of our recognition of your sovereignty and building up a state of independence if we were to wipe all that spending out?

Mr Dockstader: We have been suffering that from the federal government also which argues the same basic thing. "Well, we can do all these wonderful things," but the bottom line is that when socioeconomics are affected, it affects our people first.

Whenever it comes time to talk about sovereignty, self-determination and self-government, our people are talked to last. In this particular case, it was very courageous on the part of the Ontario government to take the stand which it basically did, which was to support our people in the times when you also have that \$9.3-billion deficit. That indicates to us there is some hope for our people in that we are mentioned first and foremost among top priority in the Ontario province at a time when it is not in your best interests to do that. It is probably relatively unprecedented and we are pleased with that initial effort.

However, there is obviously a long way to go because we need the support not only of government, we also need the support of industry, we need the support of chambers

commerce, to understand that our people are so far down on the socioeconomic scale that we have kids in this city of London living in the sewers. If you talk to me about our socioeconomics and how that is eventually going to lead to a wonderful re-emergence of business, more jobs and things like that, I will tell you that in good times and in

bad times, we are still at the bottom and we need help. We need all the help we can get.

The Chair: Thank you for appearing before the committee. This committee will recess until 1 o'clock.

The committee recessed at 1203.

AFTERNOON SITTING

The committee resumed at 1305.

UNITED ELECTRICAL, RADIO AND MACHINE
WORKERS OF CANADA

The Chair: We would like to call on the United Electrical, Radio and Machine Workers of Canada to come forward. You have one half-hour. Try to leave a few minutes at the end for each party to ask questions on your brief. If you would identify yourself for Hansard, then you can begin.

Mr Barry: I am Dick Barry, national president of the electrical workers union. Grigg Snyder is chief steward at the ABB plant here in London. Jim McCurdy is president of the local here in London at the ABB plant and a member of our national executive board. We represent the United Electrical, Radio and Machine Workers of Canada.

We are a national Canadian union of some 12,000 members, most of whom live in southern Ontario, but with membership in Quebec and Alberta as well. UE represents workers in the electrical and electronic industries as well as a broad range of other manufacturing segments. Our members produce products ranging from small and major appliances to heavy electrical industrial equipment, small to heavy electrical power equipment right from switches to large motors, turbines and power transformers.

In fact, our membership here in London at ABB produces a range of electrical power transformers and capacitors for industry and Ontario Hydro. We also represent workers producing electrical wire, communication equipment, air conditioning, foam and plastic products, as well as steel products from auto parts and drive shafts right up to the largest diameter pipe for the oil and gas industry.

The Ontario government had a choice in the last budget. The options were clear: to back the monetarist, anti-working people policies of the federal government or to provide some relief from those policies. We believe the government has made the right choice: to fight this made-in-Canada recession and provide some small measure of protection for the workers who are the victims of both this cyclical downturn in the economy and the federal government's disastrous economic policies.

We think this budget, and in particular the deficit, must be seen in the context of the current economic situation. This recession is undoubtedly the worst to hit the province since the Depression of the 1930s. Job losses in the province have totalled 214,000 in the first year, two and a half times the number of jobs lost in the first year of the 1981-82 recession. Ontario's rate of job loss has been over twice that of the national average. In fact, Ontario job losses account for 80% of the national job losses.

Unlike previous recessions, this time the majority of the job losses are permanent and due to the decisions of United States corporations to partially or completely close down their operations here on a permanent basis. The manufacturing sector has been particularly hard hit.

This comes as no surprise to us, since we, along with the rest of the labour movement and our allies, predicted that the free trade agreement would have that effect. In the

absence of tariff barriers and faced with an over-valued Canadian dollar, the head offices of many transnational have reduced or eliminated their Canadian operations. They have relocated their production closest to their largest market or in places such as the Sunbelt or Mexico where they can profit from subsistence wages.

These pullouts have had predictable effects on many domestic small and medium-sized businesses. Business bankruptcies during the first five months of 1991 were up 116% compared to the same time in 1988, prior to free trade.

At the same time as they have created the conditions for massive job losses, the Tories have also cut back on transfer payments to the provinces. This year alone, the capping of transfer payments will cost Ontario \$1.6 billion in direct revenue lost. As well, they have cut back the UI program so that many more people must resort to social welfare much sooner, after being laid off work, than before. The net effect increases the burden of social spending borne by the provincial government precisely at the time when provincial tax revenues are dropping due to the unemployment creation policies of the federal government.

The electrical products industries, in which most UE members work, have been particularly affected by the recession and the combination of economic policies imposed by the federal government. According to Statistics Canada figures, since June 1989 employment in Ontario's electrical products industries has dropped from about 81,600 people to 61,300, a drop of about 25%.

Due to the high value for weight, the small appliances segment is particularly vulnerable to free trade, since transportation costs do not significantly inhibit relocation of production. The figures above bear out this explanation. Similarly it is no coincidence that our wire and cable segment is not suffering as much, since wire is relatively heavy for its value; therefore, transportation costs significantly inhibit companies from taking full advantage of their liberties under the free trade agreement.

The job losses in the major appliance sector are due primarily to the high-interest-rate, monetarist policy of the Tories. About 40% of the market for new major appliances is tied to housing starts, which are highly sensitive to interest rates. Replacement of existing appliances accounts for the other 60%, and there too families hesitate to borrow the money needed to replace worn-out refrigerators and stoves when interest rates have been so high.

As well, imports as a percentage of the Canadian market have nearly doubled in the last two decades. The federal Ministry of Industry, Science and Technology estimated prior to the FTA that due to the shorter production runs in Canada, a tariff of 12.5% would be necessary to allow the Canadian industry to survive. With the lifting of the tariffs, job losses have occurred as predicted. On the other hand, the electrical industrial equipment segment has suffered somewhat, but not to the same degree, due to the relative stability of its major customer, Ontario Hydro.

We can see a definite pattern of job losses clearly related to the free trade agreement and to the monetarist policies of the Tories.

The recent job losses forced on working people in this province by the Tories must be put in the context of the previous massive job losses during the 1980s, stemming from corporate restructuring in the two companies then dominant in the electrical industry in Canada; that is, General Electric and Westinghouse. GE, for example, employed some 19,767 Canadians in 1979, the year its strategic plan was adopted. By 1986 this number had fallen to 11,480 and the most recent figure available is 9,911 for December 1990.

GE was not alone in reducing its workforce in Canada. Robertshaw, Sunbeam, Westinghouse and Fedders are but a few of the companies which have taken advantage of the unfettered access to the Canadian market granted them under the FTA to move their production to such places as Kentucky, Tennessee, the Mexican Maquiladora and Haiti.

It is in this context that UE looks at the budget of the new Democratic government of Ontario. We are pleased to say the budget does maintain a minimum level of social spending and provides some modest level of stimulus to the economy. We do not think the deficit is excessive, even the economic situation and Ontario's long-term economic potential. In fact, the deficit is low, relative to the share of spending, share of GDP and on a per capita basis, compared to other recent budgets of Conservative governments.

As a share of spending, Ontario's deficit is 18.6%, compared with 31.9% for the Alberta 1987 budget, 30.5% for the Saskatchewan 1986 budget and 20.2% for the federal 1991 budget. As a share of GDP, again, Ontario's deficit, 3.4%, is lower than Alberta's was in 1987, which was 9%, or Saskatchewan's in 1986 at 7% or the last federal budget at 4.5%.

On a per capita basis, it is substantially lower than the previously cited examples of budgets in those Tory jurisdictions.

In effect, only about \$640 million of the current projected deficit is a result of increased spending. The rest results from a combination of decreased tax revenue, both personal and corporate, and increased social welfare and health costs related to the recession.

Obviously, the provincial government cannot alter the decline in its tax revenues from personal or corporate income taxes without imposing major new taxation, something we feel would be counterproductive during a recession. Therefore, those who decry the budget deficit are essentially calling on the government to cut back on social spending.

To these corporate midwives of misery, we say, "Where would you cut?" Social welfare spending, which at its current levels only barely succeeds in protecting those most vulnerable from starvation or homelessness, and sometimes not even that? Or would you hack away at health care, thereby further eroding the quality of health services available in the province? Or would you have us fall further into education?

I know the corporate sector, in particular the corporate leaders who sit on the boards of governors of such universi-

ties as Queen's and Western, has been pressuring the government for some years now to increase university tuition, perhaps even create a two-tier university system similar to the US. Of course, they always add that supplemental student aid will be provided to "those in need." No doubt secondary education would be next on their list of targets.

We hope the government will continue to resist those suggestions and keep post-secondary education both accessible and affordable. It is important to working people and their children that a clear message be sent that post-secondary education is not only for the wealthy, and maybe a few token members of the deserving poor, but for anyone who has the desire for such education and the ability to participate in it. We support the Ontario Federation of Labour call for the government to eliminate tuition fees and to provide grants for necessary living expenses so that students do not graduate burdened by debt.

We are also pleased to see that the government has allocated some money for social assistance reform, which is urgently needed. Given the federal cuts to UI, more and more of our members have been forced on to the welfare rolls. Although the amounts allocated for reform are not huge, we know they are significantly more than what would have been allocated under either a Tory or Liberal government faced with the same situation.

UE members are also pleased to see the increased allocations for shelter beds and services for battered women and victims of sexual assault.

The allocations for pay equity in the public sector are also a welcome indication that the government is proceeding on its promises of equality for women. We hope the government will ensure that the private sector proceeds with pay equity promptly.

As well, the government's decision not to cut back public service jobs and salaries sets an example to the private sector. It is a welcome indication of the NDP government's commitment to the working people of this province that it resisted the urgings of the corporate sector and their poodles in Ottawa and refused to dump the burden of the recession on to the backs of workers.

Our members are particularly pleased by the government's allocation of \$700 million for an anti-recession program. The construction of roads and upgrading of public buildings will generate jobs in the electrical products industry.

We are also pleased to see the \$48-million allocation for the Let's Move rapid transit program for the greater Toronto area. We anticipate this will improve the demand for electrical equipment, both directly as inputs to new vehicles and transit facilities and in the construction and manufacturing processes.

The \$57-million manufacturing recovery program for small and medium-sized firms will also have a welcome impact on jobs in the electrical products industries, since many of the surviving Canadian-owned firms are small businesses.

Of particular significance to our members was the announcement of the 10,000 new non-profit housing units. Although by and large UE members do not live in non-profit housing, we expect this housing creation activity to

bolster the demand for the products our members make—motors, generators, electrical appliances, etc.

We would like to see the government maximize the job creation impact of its spending on housing by establishing a strong Canadian procurement policy for the electrical appliances, fixtures and wiring which goes into housing, as well as the machinery used to construct it. If the government stipulated that the appliances had to be energy-efficient, that would likely stimulate some specialization in that production at the Camco plant in Hamilton, as an example. This would also help position that plant to meet the anticipated increase in demand for energy-efficient appliances in the North American market as various jurisdictions take tougher energy conservation measures.

If the government is serious about promoting this type of industry, it should announce such a procurement policy as soon as possible, since the non-profit housing construction plans will have to take into account the fact that energy-efficient appliances—for example, refrigerators—require a differently shaped opening in the kitchen.

We are pleased to hear the Treasurer announce that health care and education spending would be maintained. In the health care sector, similar to the housing sector, we think the government should maximize the job creation potential of its own spending by having a strong procurement policy regarding medical devices. Both Quebec and the Maritimes have more aggressive programs to support the medical devices industries than does Ontario.

There is a total Canadian market of at least \$2.5 billion, according to 1989-90 figures, in the medical devices sector, of which at least \$1 billion is located here in Ontario. On average, 80% of this is spent on imported medical devices and equipment, and of that 70% is from the United States. That is a large chunk of money being spent which creates jobs in the US that we urgently need here.

Even if Ontario medical devices industries were to meet only the Ontario domestic market—that is, not producing for other provinces or export—we would stand to gain about 7,000 totally new manufacturing jobs as a result of such a procurement policy in Ontario. As well, other significant indirect job creation spinoffs from this expansion could be expected.

We have the skilled workers, many of whom are now unemployed. We have most of the necessary raw resources. We have the market base of a well-funded public health care system which is responsive to government decisions. We can expect an expanding market for medical devices due to the following factors: the aging population, the AIDS crisis and the trend to alternative site/home care. Why not make the effort to get the medical devices industries off the ground here in Ontario?

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We think the steps involved would include the following:

1. Establishing a centralized purchasing system for medical devices for all hospitals and other public health facilities. Many Ontario hospitals have a Canadian procurement policy, but are unable to identify Canadian-made goods. They get no assistance in that effort by the American distribution companies which have a stranglehold on the Canadian hospital purchasing process, since those same

American distribution companies are also competing producers of medical devices.

2. Establishing a rebate system, with a 10% to 15% year-end rebate to hospitals on medical devices produced here in Ontario. A 10% to 15% rebate provides a cushion sufficient to offset some of the economies of scale enjoyed by US manufacturers without making inefficient production too attractive.

3. Providing support and incentives to import substitution industries, both private and public sector.

4. Supporting research and development in this strategic area.

5. Insisting that any corporation which wishes to sell to Ontario publicly funded hospitals must locate a certain amount of production and R&D in Ontario.

Some may say such a procurement policy would contravene the FTA. However, currently Canada only exports to the US about \$100 million in medical devices, whereas our imports of such from it total at least \$851 million perhaps as much as \$1.5 billion. Therefore, even assuming a negative US reaction, we have more jobs to gain than lose by going this route and challenging the FTA.

The government should also establish a task force with participation from labour and the public health care sector, Ontario medical devices manufacturers and health care research academics, to come up with a plan to get this sector off the ground.

It makes sense for the Ontario government to make every effort to ensure maximum job creation spinoffs in the province for the large sums of public money spent on public health care in Ontario.

We are pleased to see the government increase its allocation for various energy conservation and environmental protection programs, including the municipal 3Rs program: reuse, reduce and recycle. We hope the government will take a number of measures to encourage the expansion of the environmental protection equipment industry in Ontario. Aside from the obvious benefits to the environment, which are important to UE members and indeed every trade unionist in this province, such an expansion of this industry would also create new jobs, many of them skilled and potentially well-paying ones.

Having strict environmental standards is one way to encourage such industries to develop, since strict standards generate a need for various types of equipment and devices. The stricter Ontario standards are, the more likely it is that some Ontario manufacturer will identify a need for the product and produce that here. This will give Ontario manufacturers the edge in these products as other provinces and the US states enact tougher environmental standards.

The government should also provide supports and incentives to those industries. If necessary, the government should expand the mandate of Ontario Hydro to include production of energy conservation products if the private sector does not meet the challenge enthusiastically enough. Ontario should not forego the opportunity to have the jobs associated with the production of environmental protection devices and equipment merely because a domestic private sector manufacturer may not emerge to take on that role, perhaps due to lower profit margins than they have become accustomed to.

gain, this is an area where concerted, swift action on the part of the government may both help us clean up the environment and create new, stable, socially useful jobs for artisans.

We also know that pressure is being exerted on a daily basis to force Ontario Hydro to drop its Canadian procurement policy. We want to take this opportunity to urge the government to remain firm. Ontario Hydro's procurement policy has been one of the stabilizing factors in maintaining what little remains of our electrical products industry. Although the on-site construction requirements of hydro generation facilities ensure that some production will always take place here, it is important that the government guarantee that the pre-manufactured inputs and parts used at Ontario Hydro facilities will also be produced here as much as possible. Most US utilities have similar procurement policies, which assist in the creation of vibrant electrical industrial equipment industries there.

In conclusion, no provincial government has the tools to totally neutralize the impact of the disastrous economic policies of the federal Tories on the working people in its jurisdiction. However, the Ontario government has at least taken a step in utilizing those powers it does have in a way which benefits the general population. It is a welcome indication of the government's understanding of the battering which working people of this province have been through in the last several years.

We look forward to the greater participation of working people in the government's decision-making process and to the kind of creative and committed government actions and budgets that will provide for greater economic democracy in the province. On behalf of my two brothers and our membership, I thank you.

Mrs Cunningham: We had a little bit of a talk before the lunch break. I would like to thank you for some of the constructive ideas you have put into your brief, especially with regard to the medical devices industry. I share your view on that. I am wondering if you can give us some more insight into perhaps some other areas where we can be more competitive with regard to your industry, given that you seem to know a lot about projecting the future here.

Mr Barry: As an example, we have put in the issue of procurement policies for Ontario Hydro. The facts are that Quebec has had a procurement policy in that province for a number of years, which has caused many of the electrical manufacturers to locate there in order to sell to the province of Quebec.

Mrs Cunningham: Could you give us an example of what you mean by the Quebec one?

Mr Barry: Turbines and generators. All the major manufacturers in the electrical industry have plants in Quebec. Whether it is Westinghouse, General Electric, Asea Brown Boveri, all of them are located there. As well, they have remnants of those plants here in Ontario. General Electric, as an example, used to employ some 5,000 people just in the Peterborough plant alone. They are now down to something like 2,000 people in total, including all their salaried staff. That is in the last 10 years. Westinghouse in Hamilton, which produced a wide range of products, had

some 5,600 hourly rated employees. They are now down to 620.

Many of those products have simply disappeared or they have sold off chunks of their production to other companies, such as selling off all their power transformer businesses to Asea Brown Boveri. The electrical industry restructured prior to the free trade agreement. In preparation for it, General Electric, Westinghouse and others divvied up the market and decided who would produce which products and that they would not compete head to head, and they do not. Even though Westinghouse still has a motor company and General Electric has a motor company, they do not produce the same types of motors in competition with one another.

Mr Sutherland: Thank you, Mr Barry, for coming here. I was particularly intrigued by some of your suggestions in terms of medical devices, the Canadian procurement policy and how that would have an impact. It would certainly have an impact, I would say, on the community of London here in terms of the fine medical facilities we have here. It would seem to be a logical spot for putting them.

I want to get into the competition area, because I sat on the agencies, boards and commissions committee, which deals with public appointments. The president of General Electric talked about the difference between plants here and plants in Mexico, the two plants General Electric has. He cited the example of how they had difficulties getting the plant going in Mexico. If there was a dishwasher line, they could send the dishwasher down and make the same one time after time, but he said that here and in the plant they have in Montreal he could send eight different models down, one right after the other, and it still could be done. I was wondering if you could comment in terms of your membership as to where you see industry going related to that, in terms of maintaining jobs for your membership, retaining jobs in the electrical parts industry.

Mr Barry: As far as the appliance industry is concerned—that is what you are alluding to with General Electric; it is the Camco plant we are talking about—General Electric produces refrigerators in Hamilton and Stokes. They used to produce similar products here in London and they went out of that business. They concentrated their dishwashers and their laundry equipment in the Montreal plant.

You are quite correct. Jobs that are routine and can be done easily without training the Mexican workers will go to Mexico or they will go to the United States. That is exactly what the free trade agreement has allowed those companies to do. That is why those plants are established there now.

I am not putting the Mexican worker down. I think we also have to also elevate their standard of living. What we are concerned about is dragging our standard of living down to their level without at the same time increasing their standard of living. As those Mexican workers are trained, more and more of those products, even the eight production lines you are talking about, will be facilitated from Mexico, transmitted to the United States and then imported here into Canada. That will obviously have a negative impact on the jobs of our members.

1330

Mrs Sullivan: I am interested in the comments you made in your presentation relating to environmental protection equipment. Clearly there is a sense that green can be gold and that there are real opportunities for the manufacturing of pollution control equipment and other devices.

One of the things that is problematical, however, is that the government in this budget has cancelled the Ontario current cost adjustment, which provided an incentive for the installation of pollution equipment devices, and has changed the way it approaches environmental legislation so that companies are highly reluctant to invest in the capital equipment required to make advances in the area. I wonder how you respond to those problems which have been created by the government, rather than moving forward in a way that could solve the problems.

Mr Barry: We are not suggesting the government has not done some things we are not in agreement with—far from it—but what we are saying is that we think the government should be encouraged to provide incentives to Canadian-based industry, and particularly Ontario-based industry, to facilitate production and to enable those companies to grow jobs here in Ontario.

As an example, a few years back under a Tory government when we were talking about a hydro line crossing Lake Erie, we intervened because at that point in time we were talking about exporting Ontario hydro across to the United States. At the present moment we are a net importer of hydro into Ontario. We get some from Michigan and we get some from the west as well, but overall we are a net importer of hydro. We also have the issue that within the next five-year period we are going to reach the crossover point where our consumption of hydro will outpace our ability to produce it.

Mrs Sullivan: Do you concur with the policy on the abandonment of nuclear?

The Chair: I am sorry, Mrs Sullivan, we have run out of time here. I would like to thank you for coming before this committee and we appreciate your comments.

SEXUAL ASSAULT CENTRE LONDON

The Chair: Charlene Foster, welcome. You have one half-hour for your presentation.

Ms Foster: I do not need one half-hour.

The Chair: If the three parties want to ask you questions up to that period of time, they have the right. Mrs Sullivan is already backed up with questions from the last presenter. Feel at ease and proceed with your presentation.

Ms Foster: I will be brief. On behalf of the Sexual Assault Centre London, I first want to say thank you to the NDP government for recognizing the need and the importance of services for those in our community who have been sexually assaulted. By increasing our funding from \$80,000 to \$340,000, we are beginning to be able to provide more of the services which are so sorely needed.

We have demonstrated in the past our ability to use funds wisely and to stretch them to amazing limits. Our direct service work has been done totally by trained volunteers, who work on our 24-hour crisis and support line,

provide accompaniment to police, hospital or to court and provide in-person support for survivors of sexual assault and sexual abuse.

The most frustrating aspect of the work of our volunteers and other community workers is the dead end they run into when they need to refer clients for long-term counselling or therapy. For clients unable to afford the cost of private counselling, the availability of help is sorely lacking. The waiting lists are 6, 8 or 12 months for groups and even longer for individual counselling.

With our new increase in funding we have been able to hire a full-time counsellor who will facilitate two therapy groups as well as take on a full case load of individual clients. Our counsellor started a month ago. On her first day of work she was faced with a waiting list of over 40 women. She is now completely booked and the waiting list goes on. We will shortly hire a second counsellor, a public education outreach worker and a regional counsellor.

To accommodate our expanding staff and our clients' needs, we have been able to move within the last month to new office space which more accurately reflects the quality of the work we have always done and which finally legitimizes in a tangible way women's pain.

Again, I want to say thank you for recognizing the widespread incidence of sexual assault, sexual abuse and violence against women in general in our society, for recognizing the importance of the work sexual assault centres do and for giving us the opportunity to demonstrate our ability to use funds effectively.

We will be back when budget time comes again. This is only the beginning of the crucial work which needs to be done.

Mr Sutherland: We are very glad to have you here today to point out, as we have had pointed out in just about every community we have been in with these hearings, the great need in terms of providing resources, and how this is only a start on the process and is not going to meet all the needs.

Have you been able to access the current money already? We are finding out that is a bit of a problem. You said there was a waiting list of 40 before you hired the counsellor. Now you have the counsellor and there is still a waiting list. Where is the current waiting list at?

Ms Foster: I think she has only been able to take about 12 full-time, one-on-one clients, plus groups, but it increases every day. Every day we get more phone calls. I cannot say exactly what that waiting list is right now, but that is just our centre.

Mr Sutherland: Are some of those people on the waiting list being referred to other services, or do they all have waiting lists themselves?

Ms Foster: They are on other waiting lists at other places as well. Someone may have to wait only a couple of months to get into our centre; again, someone else may have to wait six. They may be on a waiting list at University Hospital for a year. It is on and on. The thing is that now we have a counsellor and are going to hire another one, we are almost afraid to let it out because we know we are going to be swamped with people saying: "You have

counsellor now. We can get in." The waiting list is just going to multiply as soon as people know we have anything at all.

Mrs Sullivan: I just want to clarify, Ms Foster, your opening statement. Did you say your budget has gone from \$80,000 to \$340,000? What is the source of your funding?

Ms Foster: The Ministry of the Solicitor General.

Mrs Sullivan: Your entire budget comes from Solicitor General? You get nothing from the region, nothing from the municipality?

Ms Foster: We have private donations. We do not get anything from United Way any more. We had some funding from United Way for three years, but we do not at the moment. That is our major funder. We have smaller donations from the community.

Mrs Sullivan: It has moved in proportion from \$80,000 to \$340,000 in one year.

Ms Foster: Yes.

Mrs Sullivan: What is the difference in your client take?

Ms Foster: This has just started. The calls are increasing on the crisis line over the last year. There was an increase of 59% of the number of calls to the crisis line. We just ran out of the money, so we have hired one full-time person and over the next six weeks we plan to hire two more and gradually increase our staff. So our intake has not increased immediately; it cannot just like that, but over the next year it will as we get more staff to handle more clients.

Mrs Cunningham: To pursue that particular line of questioning, although you have been promised \$340,000, you really have not received it.

Ms Foster: We have some of it. We do not have the total \$340,000.

Mrs Cunningham: How many staff did you have when you had \$80,000 as your budget?

Ms Foster: We had two full-time staff.

Mrs Cunningham: What is your plan on staffing?

Ms Foster: We now have those same two. We have a full-time office administrator and a counsellor. We are hiring another counsellor, a public education outreach person, a education person, and a regional counsellor as well.

Mrs Cunningham: So for \$260,000 you are going to hire five people?

Ms Foster: Yes.

Mrs Cunningham: What will the rest of the money be spent on?

Ms Foster: Part of it is being spent on our new location.

Mrs Cunningham: That is what I needed to hear. You are paying rent out of that particular amount of money.

Ms Foster: Yes.

Mrs Cunningham: Are you going to be spending the money basically on counselling, since that is where your waiting list is and where your referrals are going?

Ms Foster: That is where most of the money will go, for services to survivors and for education.

Mrs Cunningham: What do you want me to do as a representative for London as a result of these hearings? What was the point? What are you coming here to tell us?

Ms Foster: To tell you that we appreciate what we have so far, that we will use the funds wisely and that we will need more to keep on with this work, that this is a beginning.

Mrs Cunningham: Do you work with other agencies in the city, like Women's Community House?

Ms Foster: Yes.

Mrs Cunningham: And you will be pooling your resources that way as well?

Ms Foster: Yes. We have referrals.

Mrs Cunningham: I notice we will be hearing from Women's Community House later on today and I think we are hearing from the London Family Court Clinic tomorrow. These are all psychologists. I thought there was another group as well, but anyway, thank you.

Ms Foster: We all work together and refer to each other. There is the London co-ordinating committee on violence against women.

Mrs Cunningham: I am interested in the money from the Solicitor General. You were quite successful. That is not where I would normally send people to get money, but you really did a good job on that one. From our point of view, I guess, and Kimble's and David's, maybe you could send us a copy of your presentation to the Solicitor General so we can help others.

The Chair: Thank you for coming before this committee. We will take a 15-minute recess.

The committee recessed at 1343.

1400

LONDON AND DISTRICT CONSTRUCTION ASSOCIATION

The Chair: The next group we have is the London and District Construction Association. You have one half-hour for your presentation. Try to leave enough time for questions and answers from the three parties. To start off, identify yourselves for Hansard, then you may begin your presentation.

Mr Romanuk: My name is Ken Romanuk. I am president of the London and District Construction Association. I also have a small design and build general construction company.

Mr Dool: My name is Tom Dool. I am the general manager of the London and District Construction Association.

Mr Romanuk: The members of the London and District Construction Association extend to the task force their appreciation for allowing us this opportunity to make our presentation.

We believe something is fundamentally wrong with what is happening in Ontario and needs immediate correction. With regard to the budget, it does nothing to improve the competitive position of Ontario's businesses and only adds to an already bad situation by increasing taxes. Ontario is already the highest-taxed jurisdiction in North America.

It does nothing to help manufacturers of goods to be exported, a shortcoming for which the past Minister of Industry, Trade and Technology, Allan Pilkey, is partly to blame. The construction industry is the largest employer in the province, employing 12% of the workforce, and we could not get a meeting with our minister, Mr Pilkey.

Nothing in the budget improves productivity either inside or outside the public service. The public service did not get better or more efficient; it only got costlier. Less government is essential if we are to be competitive internationally.

Employers and employees, especially those in the construction industry, appear to be left out of the new partnership between business, government and labour.

The NDP government does not understand business and does not realize that Ontario's economy cannot absorb the social agenda Queen's Park has dictated.

The budget does nothing to stem the growing exodus of business out of Ontario and may be the final straw in a brain and talent drain that forces young entrepreneurs out of the province.

A \$9.7-billion debt that will grow to \$35 billion in four years represents future tax increases of such a magnitude that Ontario will evolve as a welfare state, a stagnant, non-producing environment.

The budget does nothing in terms of building and supporting enterprise, initiative, entrepreneurship and optimism for a stable future.

With respect, there is no hope of a sustainable prosperity through helping those who choose to do less than their best.

Let me attempt to make my point with a story involving my family. My father was a simple man. He worked hard every day and he provided for his family on his own. He believed in an hour's work for an hour's pay; simple. He spent only what he could afford. He did not ask for handouts from the government or anyone else for what he could not afford. My father was a union member and an NDP supporter. He and my mother lived in their own home until he died at age 87.

During his last years he became very confused about how the system rewarded scores of his work companions who had not saved. He saw those able and fit workers living off UIC. He saw people who could work choose to hold out their hand for others to fill. He saw them living in fully funded government seniors' homes.

Several years ago, because my parents were getting on in age, my father inquired about getting into this same old-age home. At the time, he could get in if he sold his home and turned the proceeds over for the government to draw off \$100 a day until those proceeds were gone. Then, like the others, he could live off the government. He worked hard. He saved. The others did not. He had to pay. The others did not.

Is this approach a source of sustainable prosperity? The government's dedication to social assistance broke my father's spirit. The NDP's dedication to even greater social assistance is breaking the spirit of business people throughout the province. Why does the NDP strive to reward those who do not contribute? The youth of Ontario is quickly learning what it took my father 85 years to learn: Working hard and saving does not pay. These are sad lessons.

Prosperity begins in personal initiative. It grows in business allowed to profit and thrive and create more jobs and is sustained only if governments do not spend more than they earn so they do not have to tax the very bread out of the system.

Social societies are collapsing around the world. Are we in Ontario too blind to see the fallacy these countries have realized? Please, reward those who work. Reward initiative. Reward the discipline of those who want to save and look after themselves, who choose not to hold out the hand for governments to fill. This province's business people need private enterprise wind in their sails, and the mood has been stilled by the negative initiatives by government. Business is floundering. I hope you see our point.

Mr Kwinter: Mr Romanuk, as the president of the London and District Construction Association, how do you see the immediate future for your industry in this area?

Mr Romanuk: Right now we are probably running—I do not have statistics, but from what we can gather we are probably running between 25% and 30% unemployment.

Mr Dool: We are running at about 30% unemployment at this point. I think the worst part of it, though, is we are running at about 40% capacity. In other words, our companies just do not have any work. There is no investment going on in this area. One of the problems is the recession but the other one is the lack of confidence that has been created in the province. People are not parting with their money to put into business. It is okay to put money into schools, and that is all great and wonderful. It is a stopgap measure, and we appreciated every cent we got, believe me. But when that comes to an end, where is the rest of it? Nothing has been created. There is no spinoff from that kind of investment.

Mr Kwinter: What is your usual lead time between the time you know you are going to be working on a project and the project starts?

Mr Romanuk: I have been in the design-build business and the average when I talk to somebody about building—I built for small businesses—generally was nine months from my initial conversation to when we put a shovel in the ground.

Mr Kwinter: What I am trying to determine is you have about a nine-month lead time, and things are very slow right now. Nothing is going to happen for nine months to a year after it starts, because of that lead time that is required.

Mr Romanuk: Definitely, and I am talking about small businesses. Large business would be much longer.

Mr Kwinter: You do not see any impact from the supposed recovery?

Mr Romanuk: What I see now in my own personal business is that all the small businesses I have talked to have reduced inventories, have reduced people. They have empty space. There is going to be that lag time before they start to hire back the people to fill their factories and inventories to fill up the space they have, before they are going to need new space. We represent generally the commercial industrial building business. Some of our members do work on high-rise buildings and parking garages and what

ve you. We look at the work we are losing now in the
 tal end where projects have been stopped. Items that need
 rk in the apartment building business have closed down.

Mr Phillips: You have answered that you do no residen-
 l. Do you follow the co-op area at all? Do you know that?

Mr Romanuk: Yes.

Mr Phillips: There is one thing I would just like some
 nfirmation of. In the budget there is a number that sug-
 sts that for each 10,000 units of co-op, and I gather the
 dget predicts they will construct 10,000 a year, there is
 annual subsidy required by the government of \$15,000
 r unit each and every year for 10 or 15 or 20 years.

Interjection: It is 35.

Mr Phillips: Is that right?

Mr Romanuk: On the geared-to-income housing, as I
 derstand it, on an interest rate that may be 12%, the
 vernment will subsidize that 12% down to 2%. So in
 fect everybody is picking up that 10%, plus there is the
 bsidy for the geared-to-income. I think there are people
 t there who do go out and work every day and work
 rd, but for whatever reason—they had to leave school
 rly to support their family. Who knows why? They
 ould be helped. I think we should help people, but I
 ink we are going overboard.

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Mr Dool: In the budget I think there was a \$1.3 billion
 using budget. This was an expenditure designed to en-
 urage housing, to increase the housing market and create
 bs and so on. But our calculations are very close to yours
 that the \$1.3 billion is going to create a \$150-million bill
 ery year that you are going to have to pay in taxes. That
 what we find offensive. You have eliminated the private
 using sector, which would not cost me or you or Joe
 nth down the street a darned cent in taxes, because he is
 perating on a marketplace basis. He is going to charge
 hat he can get. Yet the government in its wisdom has
 ow taken over the whole housing market. We have co-op
 using coming out the kazoo, but we are never going to
 op paying for it. When is it going to stop?

Mr Phillips: I just did not know the numbers. The
 umbers in your opinion are correct. It is about \$150 million
 year for each 10,000 units and it goes on.

Mr Dool: Yes. Who is going to pay that?

Mr Phillips: This follows up with my colleague. As I
 ve said to many groups, the comments on the budget are
 ke forecasting the weather. Some groups say, "Listen, it's
 problem." Others say, "It's a great budget." We will only
 ow in about a year. I think the government is assuming the
 onomy is starting to move, that we can sustain deficits
 infinitum.

Your organization—you have partially answered this—
 ould be very close to the ground in terms of sensing an
 onomic recovery. Are you beginning to see the turn-
 ound? Are your clients beginning to talk to you now
 out building, albeit in a few months?

Mr Romanuk: No. I foresee this winter a lot of the
 dustry's small firms that made it through last winter
 inking that as always in spring construction was going to

get better—it has not got better. They are still struggling. I
 see them either closing the door or going bankrupt this fall.

Mr Stockwell: What I find most offensive about this
 budget—I should not say "most offensive"; one of the
 most offensive items within the budget, besides the never-
 ending debt which they take pride in pointing to about
 fighting the recession and not the deficit, is their glorious
 projections of growth in this province in the next few
 years. I think 3.4% was the growth rate; inflation would be
 about the same. They are up around 7% in growth. Then they
 came in with a 10% increase in spending per year. What
 do you think about those kinds of numbers? If they are not
 achieved, then clearly you either increase the deficit even
 greater than they have called for or you increase taxes? I
 would just like to hear your comments on the growth rate
 that they are speaking about.

Mr Romanuk: I am not an economist by any means.
 Quite frankly I read the paper and see what I have and make
 my own judgements. Where we are in Ontario, we do have
 a very good workforce, a very productive workforce, but I
 cannot see with some of the policies that are being pro-
 posed that we are going to have businesses moving here to
 take advantage of our workforce and our standard of living,
 and we do have a good standard of living in Ontario.

Today when I picked up the Report on Business in the
 Globe and Mail, I read through it. I look at our partnership
 between what they call business, government and labour,
 and the taxes we are projecting, succession taxes and what
 have you, and turning over private enterprise to the workers.
 It reminds me of two things.

One, you people are all politicians and I admire you for
 being that, for doing that. A lot of time you take abuse and
 you also get a lot of pats on the back. But you are elected
 as leaders to run the country and the general public. Now
 owners of businesses run their businesses and they have
 employees working for them. They are there as the guiding
 principle of the business and they have employees work
 for them, similar to the government with the elected people,
 running it for the people.

What I see the NDP doing is that it is saying that in this
 partnership it is going to tax the living hell out of the
 owners, take the money and give it to the workers to oper-
 ate better than the owners who were there in the first place.
 It reminds me of being in school—it is the first time I
 thought about this; I have not had time to talk to Tom
 about it—in one course, I think it was in philosophy, you
 had to read the book called *Animal Farm*, and boy, it is
 there working; right now we are living it.

Mr Stockwell: One quick question: That was a very
 good analogy. It should be required reading for the govern-
 ment. Why have you in your industry basically opted out
 of the rental market all together; as brief as you can get.

Mr Romanuk: I am not in that business, but I can see
 what—

Mr Stockwell: I assume you represent the construction
 association or the people who are in that business. Why
 has everyone opted out?

Mr Dool: Because you cannot make any money.

Mr Romanuk: If you cannot make a return on your investment and if buildings need repair and you have to repair them and you have to get your money back—if you put money out, you want to get something back for it and you are just not getting anything back.

Mr Stockwell: And co-operatives have filled that void, I assume.

Mr Romanuk: I do not think so. We are talking about high-rise buildings.

Mrs Cunningham: I would like to ask a question with regard to the future. I am hoping something is going to happen. I do not know what it is. With regard to apprenticeship training in your industry, is there anything happening? Can people find placements? I have just come back from British Columbia where they have engaged in a very progressive program, totally changing their delivery system of education. I am wondering what you think here, what is happening.

Mr Romanuk: I will turn this over to Tom, because we have been working on this.

Mr Dool: They are in the process now of changing that delivery system in Ontario also, coming up with some very far-reaching and noble ideas based on the British Columbia system. The fact of the matter is, though, in relation to apprenticeship, the two programs they have introduced into the secondary system are all great and wonderful and will work in busy times where there are placement areas for those students to go to. Today there are no placement areas. I happen to be chairman of the local apprenticeship committee and I have 20 kids on my list. We refuse to take any more because we cannot give them any kind of reassurance that they will get to work. There are 20 kids on that list who have been on it for eight months and will continue to be on it for at least another six.

What the future holds in terms of apprenticeship for the majority of people in construction is they are now facing the employment equity program that you are bringing down. We will find that of the 20 people who applied, 18 will drop out because they cannot get an apprenticeship.

Mrs Cunningham: Which has been the pattern for about the last decade in Ontario.

Mr Dool: Fairly.

Mrs Cunningham: You talk about a vision. You should know the Toronto-Central Ontario Building and Construction Trades Council made a presentation to this committee. They were also talking about co-operative housing and the kind of incentives, but I should underline that it also said, "There is a very important role for the private housing market and the question of affordability is an issue that has to be addressed by this government and by the private housing sector."

They went on in section 7 of their brief—you can have my copy if you want to see what your colleagues are saying. Their title was, "NDP Budget Good For Construction Workers." I said I came from London, Ontario, and I did not expect that was what I would hear, so you have not disappointed me. I am glad there are people on this committee from other parts of Ontario who know that things are not equal right across the province and that we in

southwest Ontario are having a very difficult time in the construction field. I do not know about your company, but I bet it is not doing wonderfully well, Mr Romanuk.

Mr Romanuk: No, it is not. We have gone, probably in the last 16 months, from an average of 15 people who have had for a dozen years to three people.

1420

Mr Sutherland: Thank you for coming before the committee today. I just want to address a couple of comments. First of all, you say that business is foundering and you leave the impression that business is foundering since the time of the budget. You talked about investment decisions long before the budget came down. We were in a recession caused by many factors. High interest rates and free trade certainly have to be included in the whole picture. You said you could not get a meeting with the former minister, Mr Pilkey. Are you referring to the London group or are you speaking of the Ontario group?

Mr Romanuk: I am talking about the Ontario group.

Mr Sutherland: Okay, the Ontario group.

Mr Romanuk: The Ontario representative, yes.

Mrs Cunningham: I am glad you asked, Kimble.

Mr Sutherland: I wanted to know that. I guess it is just the sense I get that your presentation is saying, "The budget is the one that is stopping all the development from going on," and I think we need to clarify that.

Mr Romanuk: No, you are wrong. It is not just your budget. All you are doing is piling on an already bad situation.

Mr Sutherland: Okay, so you are indicating that you think we are part of the problem.

Mr Romanuk: You are a part of it; you are not all by yourself.

Mr Sutherland: Are the anti-recession projects you mentioned providing some employment to some of your people here?

Mr Romanuk: Yes, they are.

Mr Dool: There is a small amount of employment going on here. We are one of the areas, though, that is declared as being well-off so we do not get a hell of a lot anyway, but we get a few.

Mr Romanuk: I am sitting here and I am saying, let's watch our spending. But quite frankly, if we did not have that work now, there would be a lot of other companies in a lot of dire straits.

Mr Sutherland: Despite what you think of the overall budget, is the anti-recession good for the time being?

Mr Dool: The \$700-million anti-recession amount: Is that the amount you are referring to?

Mr Sutherland: Yes.

Mr Dool: That is broken up into some smaller numbers.

Mr Sutherland: That is right, over the entire—

Mr Dool: About 20% of that went to pay equity and employment equity programs, sir. Now that is counterproductive to anything.

Mr Sutherland: No.

Mr Dool: Yes sir, you check your numbers.

Mr Sutherland: No, the \$175 million—

Mr Dool: No, not to finance the program, to finance employment equity within the projects.

Mr Romanuk: Let me just explain what has happened.

Mr Sutherland: Go ahead.

Mr Dool: There is \$3 million going in our area alone that has employment equity attached to it. None of the contractors can bid for it because they cannot fill the bill.

Mr Romanuk: What we are saying and what Tom is saying is that these projects that require the employment equity are probably adding about 20% to the capital costs to get the employment equity to work. So if you have a company, to make it work—mine worked great. I have a French Canadian, my wife.

Mr Sutherland: I would be interested in seeing any of the documents that came forward. I was not aware of employment equity part as part of it. What was supposed to be part of it was high-priority projects that could be going right away in terms of the fact that they could be done this year to have the most impact in the worst time. That was the focus area for the priorities of the anti-recession. I am not aware of this other. I would be interested in getting information on it.

Mr Dool: Most of which were education projects, correct?

Mr Sutherland: Education, colleges, hospitals, roads.

Mr Dool: Now you have said, "The money is there, but you won't get it till 1994." So I have to pay more education taxes locally to pay for the interest on that money; is that correct?

Mr Sutherland: No, sorry. That is separate. That is the Ministry of Education announcement for future expansion.

Mr Dool: Is that not a part of the \$700 million?

Mr Sutherland: That is separate from the anti-recession, sir.

Mr Romanuk: The one thing I would like to point out is that for years and years the construction industry, the OCA, the Council of Ontario Construction Associations, the road builders, have said to governments, not just yours, all governments: "Let's not spend money on government projects when the place is booming, because you're going to be paying top dollar. Spend your money on roads and on government buildings in commercial downturns." We have advocated that. We have said that for years.

Mr Sutherland: So I guess what you are saying is that you would have wished that in the good times there had been some surplus so the money could go in right now and there would not have as high a deficit.

Mr Romanuk: Yes, you are quite correct there.

Mr Winninger: Just a very short question for clarification. I can accept that the construction industry depends on land prices and on interest rates and supply and demand. Obviously the recession would have quite a heavy effect on building. It is this intangible thing you call loss of confidence

that I have a problem with. We have not heaped on taxes in this budget because it was a time of recession.

If you take our operating deficit compared to other provinces, hived off the capital deficit and just treat the operating deficit, we have the lowest per capita in Canada. In other countries such as Germany, Sweden, Japan, they have a very advanced and enhanced social safety net and worker protections and yet they are incredibly competitive and productive. So I am having difficulty knowing why, simply because we have enhanced our social programs to deal with recession, that somehow impacts on business confidence. The two can go hand in hand; they do not have to be exclusive.

Mr Romanuk: I am not sure I can answer your question the way you want an answer. Our debt is not as great as perhaps that of the other provinces; I do not know. I know we are going to be catching up to them very quickly at the rate we are going. You ask about business confidence. I will put my glasses on and go through my notes, but along with the budget some of the things that you are throwing at investors, like rent control, the labour law reform you are proposing, the minimum wage, tax reform, all of these things are, for someone investing or coming from out of country or wanting to invest newly, detrimental towards that.

Mr Winninger: We heard from the building trades council in Toronto yesterday and they said they are all ready to work.

Mr Romanuk: Sure they are ready to work, but there are no jobs.

Mr Winninger: Within the rent control.

Mr Dool: Mr Winninger, we need jobs to work at.

Mr Romanuk: I want to work.

Mr Dool: Our industry depends almost entirely on investment.

The Chair: I am sorry. Time has run out. We appreciate your attending this committee. Your remarks will be taken into our report.

Mr Romanuk: The only job I have now is I am taking a guy and reducing his business by two thirds. That is what has happened to his business.

1430

WOMEN'S COMMUNITY HOUSE

The Chair: The next group we have coming forward is the Women's Community House; Ms Jan Richardson, executive director. Welcome to the committee. You will have one half-hour in your presentation. Try to keep some time at the end for questions and answers from the three parties.

Ms Richardson: Actually I only asked for 15 minutes, so wow.

The Chair: We can always go to that length.

Ms Richardson: Do not worry. I am just looking at my notes here and it is no problem.

I would like to thank you for the opportunity to present to you this afternoon. As I was introduced, I am the executive director of Women's Community House, which is

London's transition house for abused women and their children. I have been with the agency serving as the executive director for the past seven years, and the shelter has provided service in our community since 1978.

As a way of introduction to what I would like to speak about today, I will apologize and say with regret that I am unable to speak towards the entire budget but will look specifically at the budget and the financial implications as they affect women in our community and specifically the issue of violence against women.

The provincial government, both past and current, has made a significant commitment to looking at wife assault services beginning in 1985. Those initiatives have been in the form of financial incentives to transition houses and other agencies operating in our community, as well as a significant increase in the funding available for public education and awareness. As was expected, this has meant a dramatic increase in the level of services required in our communities.

I think that certainly in 1985 the advocacy groups indicated that the funding available would not be enough to meet the needs in our community and that we really were opening Pandora's box by broadening the services available. That is exactly what has happened throughout the province and throughout the country. As the public awareness campaign and services have expanded, thousands of women are coming forward now indicating their victimization.

In addition to that, we have begun to become more aware of the impact of violence in the home, by the effects of violence on children who witnessed violence. We are looking more into the needs of the services required to assist the men who are being abusive, and in scratching the surface of this issue and in learning more and more about it we have begun to learn how to ask more questions of the victims and are coming up with more complex questions as women and men begin to speak about their experiences as adult survivors of childhood sexual abuse and their victimization through sexual abuse.

As a result of all that, we are at a place in our communities where we are virtually overwhelmed. Historically Women's Community House has turned away one woman for every one we have taken in, and that has been what we have operated on for many years now. At this point in time in our evolution, we are now turning away two women for every one we take in. When we say turn away, we do the best we can. We have a grant available from the Ministry of Community and Social Services to transport women to shelters outside the community, so we are not abandoning them to the city streets when they are fleeing violence. However, the eight shelters in our area have been full all summer and there is absolutely no place for these women to go.

Women's Community House several years ago recognized the need for an additional facility and has now embarked upon building a new transition house for London under the joint federal-provincial program called Project Haven. This program was intended to allow for capital financing through the federal government and operating financing through the provincial government.

The commitment that was made from the federal government was \$480,000 to build a 30-bed new construction

facility. The project right now is estimated at \$1.6 million. There is just a little gap there. Our organization has launched a fairly significant fund-raising campaign that, itself, is probably a little overeager.

I think the reason I am providing some of this history right now is to look specifically at the initiatives that were announced in the new budget and to look at some of the implications that will have, not only on the organization Women's Community House but in an expanded sense.

In the announcement of May 8, 1991, of the wife assault initiatives we were pleased to see that transition houses would receive a significant increase directed towards shelter services. I would like to point out that at this time towards the end of August, we have not seen those increases and have had no indication from the Ministry of Community and Social Services as to when we will see those increases coming forward. Regrettably we based a lot of our financial calculations and services on the proposed increases and have yet to see those. I understand that will come forward, so I am optimistic that in the next two months we will see some of that \$1.9 million being released towards services. But in the interim I need to point out that this has caused significant difficulty for our own agencies as we have implemented new services based on these increases.

In addition, specifically relating to the announcement that was made, it was announced that \$12 million would be available for new shelter beds for battered women and their children. Again, this money has not been released to the public and there has been no indication as to how that money will be allocated.

For Women's Community House right now, we are at a point where we have to go to tender very soon. With a \$1.9 million budget we were very hopeful, given this new announcement that was made in May, that there would be some recognition that the \$480,000 allocated from the federal government was insignificant to meet the needs of a 30-bed facility, and that there would be some consideration and allocation to our shelter.

I would like to point out that regrettably we have had no response back from our communication to the ministry and continue to be asked to wait a little bit longer for the government to make some decision about how those funds will be allocated.

So hear my thanks for the announcement. I think the announcement indicates the commitment and awareness of the current government of the needs of our facilities. But also hear my plea to say that we would like to see how those funds are going to be allocated at a local level as soon as possible because it has a dramatic impact on our agency at this time.

Shelters are funded through what is called a stabilization funding formula through the Ministry of Community and Social Services. This funding formula was introduced through a review that took place in 1985 and is based on a ratio of number of beds-number of staff. I think it was a solid attempt back in 1985 to look at the ratio and the basic requirements, but I think it is also time to take a look at that funding formula and to look at what the realistic costs of running a transition house are.

Twenty-four hours a day, seven days a week means significant staffing costs. Women's Community House has staff of 30 to accommodate the 30 beds and to do the outreach that is also part of our programming. The funding formula allows for 12 staff, so there continues to be a gap.

I also am not a strong advocate for 100% funding from the provincial government. I think there is responsibility at the municipal level to support transition houses. I think it is so imperative that the community offer some support. What I am really suggesting right now as a recommendation is that it is time to take a look at how the 85 shelters in the province are funded through that funding formula, and to take a look at the bed-staff ratio and at revisions to it to make the flow a little more—more recognizing the needs that are in existence.

Another part of our funding, as I indicated, comes from the municipal government. The funding comes through per diem payments. How that happens generally is that the provincial government, through the Ministry of Community and Social Services, announces a recommended per diem rate which in turn, with how the caps work in terms of the 80-20 split, is taken into consideration by the municipalities when they set their own budgets from year to year.

It has always been a problem in terms of the timing. The municipalities generally begin their budget process in the fall, when we are asked to submit our budget requests, and then the administration go through their own calculations before they go to council in late winter and early spring.

40

The problem we have had over the years is that the recommended per diem rate from the provincial government typically comes along after the calculations and internal workings of administration in the municipality have occurred. As a result of that, if we look at what has happened with the shelters over the province, there is a significant split between what the provincial government is recommending the municipalities should be committing to in per diem payments and what we are actually receiving.

It would be great if the provincial government could raise its recommended per diem rate to match the budget process the municipalities embark upon. For Women's Community House, it results in about \$12,000 this year, a difference between the recommended per diem rate from the provincial government and what we will actually receive, based on a 4% increase, from the municipality. It's a small bit of money, but it makes a really big difference. For us, that is a half-time person, or fairly close to a half-time person, so it makes a significant difference to the level of service we are able to provide. I think it is really an internal funding issue.

The other comment I would like to make about the tentative allocation to wife assault programming is that there have been no new dollars allocated for treatment programs for abusers. Although Women's Community House does not provide service to batterers, we work very closely in our community with the Changing Ways program. We feel service to the men who abuse women is critical if we are truly going to work towards change, and without an increase to the programs—Changing Ways has a very lengthy waiting list. As the public awareness campaign

increases, as judges become more aware of court-mandating men to treatment programs and more and more services are faced with very lengthy layoffs or waiting lists, we are not able to serve the men at a time when they are ready to be served. Therefore we are not changing anything.

I also recognize that there has been considerable controversy over the past several months about the men's programs. It is the position of the co-ordinating committee to end woman abuse in London that we must continue to provide programs for men. I think the jury is not in yet about the true success of the programs, but I think it is imperative that we continue to operate the programs and to set some kind of community accountability measures into them. It is important to recognize that there is another side to the controversy about treatment programs, which is that we have to provide something in our community to the women who wish to return to their partners and attempt to live a life free from violence. We also have to provide an alternative to the men who truly wish to end the violence they are perpetrating.

Another initiative that came forward was through the Ministry of Health, for long-term services for sexual assault. I understand this initiative came forward through the inter-ministerial committee on sexual assault and that the funding is coming forward through the Ministry of Health and is to be distributed through local district health councils.

Over the past six weeks this community has had to undergo some very interesting negotiations and meetings in order to comply with the funding requirements. The district health council has indicated it is looking for one application to serve four communities: three counties and the city of London.

I would say that although it is very important to look at long-term services for sexual assault victims, including adult survivors of childhood sexual abuse, we also have to recognize the differences in how our communities develop and grow. To submit a joint application for three counties with very diverse needs and for the city of London, which has done some very progressive work in the area of violence against women, has severely compromised community integrity to a certain extent, in that we have really had to—it has just been a very difficult process to look at a rural area such as Middlesex county, which does not even have a crisis line for victims of sexual assault, and then to the city of London, where we are now looking at introducing long-term services for adult survivors of childhood sexual abuse.

I applaud the government for introducing these new initiatives, but would also ask that consideration be given to how that money is distributed at a local level. It may be that the district health councils are the best avenue to do some local development, but I think it is important to also look at how individual communities develop and how rich and diverse we all are in terms of our rural needs and our cultural needs.

One of the other questions that I suppose has come into play over the years is how shelters should be funded. I think it is now recognized that shelters are here to stay, that more are going to be built in our communities and that they will become an integral part of our communities. I guess the question is whether or not we are at a point where we

should be looking towards legislated dollars towards transition houses.

I know there are pros and cons to doing that. I think a con for an agency like ourselves is that it requires more accountability and controls imposed by the government, but I think it also gives us some sense of stability from year to year. I understand that there is a review coming up on the funding of transition houses, and I would hope that consideration and exploration of legislated dollars could be explored through that process.

This issue, as I indicated when I began, is a very complex one. It is not as simple as saying all we need are shelter beds or crisis services. I think we as a society have created a real mess in terms of violence against women. We cannot blame the government for its creation and we cannot blame men for its creation, we cannot blame women for its creation, but we are all responsible for what we did create. We are therefore all responsible for its solutions.

I think we are looking at very long-term solutions. It is not enough to provide shelter services where we are patching women up and putting them out into the community to hope they will do well. It is important to recognize the needs of long-term services, long-term counselling, programs available for our children, programs available in the school systems, programs for men, training in our judicial system to help them become more aware of the problems and the insidious nature of the abuse that is taking place. It is important to continually remain open to the multitude of solutions that are available to us.

In closing I would say that I recognize, in saying all that, that it is an expensive price tag, but the provincial government has begun, with a very significant annualized contribution of money beginning in 1985. We have heard there is a commitment to continue that money forward through some longer-term initiatives. I think we are basically at the beginning of the avalanche. As we continue with the public education, we will continue to see more victims coming forward, and the price tag, I believe, will continue to increase. I think it is just a reality we have to face, and there needs to be the commitment by all parties to continue to look towards solutions.

1450

Mrs Cunningham: Thank you, Jan, for your presentation. I like the ending of it especially, for all of us to be looking towards solutions. We were curious this afternoon when the Sexual Assault Centre came in and said that its budget went from \$80,000 up to \$280,000 or something—\$340,000? I had the numbers written down and I cannot see them.

Mrs Sullivan: A quarter of a million dollars.

Mrs Cunningham: It was a lot of money, anyway; a quarter of a million dollars, my colleague advises me. When you made your presentation to the government this year, basically it was for the normal increase in your budget plus your capital dollars, I expect. You said you had not received the transfer payments yet. I am curious to know, is that on the normal part of your budget or is that the new program announcements that were made?

Ms Richardson: The per diem transfer payments? that what you mean?

Mrs Cunningham: Yes.

Ms Richardson: The per diems are a part of our regular operating budget. We have a revenue section which includes funds received from provincial government and municipal government and our donations. We calculated what we anticipated we would receive in our annual operating budget, and it fell, based on the communication we had from the ministry in the fall, but the announcement from the ministry did not come forward till February which was after the municipality had made its announcement. Did I make sense? Yes? Basically there were several months where local offices knew what they expected the increases to be, but the municipality was not willing to base its increases on anything short of a recommendation.

Mrs Cunningham: Have you received any of the 1991 transfer payment money yet?

Ms Richardson: No.

Mrs Cunningham: We are six months into the year, we actually worked in that ministry at one time and those things used to happen. It does not make me feel very positive to see it happening again. I have always been a great critic of big government. I prefer to put money in the front line, and this is an example of big government. It cannot even give the transfer payments out to pay the staff who are there.

Ms Richardson: I should clarify in saying that what we are being funded on right now is last year's operating contract with the Ministry of Community and Social Services. It should be understood that we are receiving our quarterly payments from the government based on our contract of last year. We do have yet to sign our 1991-92 contract based on this announcement.

Mrs Cunningham: Right; I am clear on that.

Mr Stockwell: My question is a little broader, and maybe somewhat more blunt as well. No one is coming up to me and saying: "Gee, Chris, could you see about raising taxes? I'm looking forward to getting my next tax hike." Has any thought been given to alternative sources of revenue? I do not know how or what, but has any discussion taken place? If so, when would we see some kind of report? I am not downplaying the role or the job, but there comes a point when we run out of money, or we as the government would run out of money.

Ms Richardson: Yes, and I think I indicated that I do not believe the solution is with the provincial government.

Mr Stockwell: I heard that. That was good.

Ms Richardson: To answer your question about whether I think we should be looking towards tax cuts maybe that is a possibility, but I would say what we have to ask ourselves in a broader sense—it is a broad question—is where the funding responsibility lies and proportionately how that funding responsibility lies. How much should we receive from the federal government? How much should we receive from the provincial government? How much should we receive through the municipalities through our tax base? I think those are important questions.

ask ourselves, particularly as we become more complex in this issue, but I do not have an answer to that.

The other part of our reality is that I am turning two men away for every one I take in. I do not have time to talk about taxes. I am trying to find enough money to find a place for these women to stay.

Ms M. Ward: You touched briefly in the latter part of your presentation on what I was interested in. I guess I was sitting there thinking, is there any hope? How long in the future are we going to have this problem? Are we always going to have it? You are just seeing the tip of the iceberg. You seemed to indicate that you think there are a lot of women out there who have not come forward or who are not coming forward. I wonder what you might have to say to us about what you think is needed in the way of preventive services. How much hope is there that there can be a change made through education? Should we be starting it in the schools?

Ms Richardson: We can look at this issue and the growing numbers of women coming forward in two ways. I could say, "This is a tragic thing that is happening in our society," which it is, but we can also say: "How hopeful is that, for every woman who comes into that shelter, she is making a choice. She has heard that message and she is making a decision to stop the violence."

In some respects, I think we are all to be applauded for the commitment we have made in finding more vehicles to get women, men and children to come forward.

Although I think the numbers are staggering, a way to look at that is that when we first began talking about this issue, we used statistics of one out of every 10 women in this country was physically abused by her partner; The provincial government has now released figures that indicate one out of eight women in a relationship is physically abused. So I guess in some respects I would say that, to me, that is progress, because these women are not being neglected as much as they were.

I think prevention is there. I think it is critical that we do public education. It is critical we get in and do the programs in the school systems to look at alternative conflict resolution to help children recognize that it is not the big family secret, that the services and system are in place and that the services and supports are available to the teachers so they do not have to deal with that increased level of disclosure.

I would say we must continue on the path we are on, which does include getting into the schools and doing the work with the kids. They are truly remarkable in what they are able to disclose to us.

Ms M. Ward: You are talking about long-term services for sexual assault. These are not simply the victims in the news, because women are victims throughout. Anywhere they go they are a potential victim. I believe Mrs Sullivan is riding where the young woman was murdered in the last few weeks. This is happening with much too great frequency for all of us. Some people view it as hatred against women from some segments of our society, so it is not just the family relationships we are looking at there, is it? It is a broader range of attitudes.

Ms Richardson: Yes, and when I talk about the fact that we as a society created this, you are right. We cannot be myopic in how we look at violence against women. We are talking about a society that has treated women as second-class citizens, and that is what it is about. That is why it is so hard to make the changes, because we are fundamentally looking at changes in how we function in our communities and in society. That is a very big problem and that is not one where we can have a project grant available to us to fix it. So we will take our Band-Aids, and in taking our Band-Aids, we will find our successes in changing that ripple of society.

I think we are making changes; little changes. I also think the incredible tragedies that women have experienced, the increased number of murders against women, will increase over the next 10 years. I think we will see an increase because we are scratching the surface, and that is annoying.

1500

Mrs Sullivan: Much of what you had to say was really typical of what is occurring in my area as well. We are a community in Halton of approximately the same population, also looking for a second shelter and having a difficult time coming up with the gap in capital requirements. Similarly, on the funding formula, I could not agree more about the gap in time between the per diem rate from the province being announced later and so on.

I have a couple of questions that are really of some concern to me in this whole area of the funding of violence programs. I would like your opinion. I have appreciated your project.

It seems to me that we are funding sexual assault centres, rape crisis lines, transition houses and shelters, second-stage housing, programs for incest victims, programs for victims of family violence, all under different programs with different funding formulas, with little co-ordination between groups that are delivering the services, little cross-referencing between the agencies of skills required, and each agency is spending a great deal of time, probably a full staff person's time, on grantsmanship rather than on service delivery.

We heard earlier today what to me was, frankly, a shocking increase for one agency in one year—and welcome to it. They must have done their grantsmanship very well. But boy, I am telling you, I am not seeing that in my community, and I am going to go back and find out why.

Do you see any hope for the combination or the working together of these agencies to streamline the service delivery and to make the dollars more effective as they move out into the community?

Ms Richardson: I recognize the shortness of time, but I think it is a complicated question and answer.

One of the things we have to recognize is that a woman who has been victimized by her husband is going to have different needs than somebody who has been raped by her father or a boy who has been sexually abused by someone in the community. I think the type of counselling needs that they have and the type of services that need to be in place are different. I think they truly are different, and we have enough experience in what has been available in our community services to have known that.

To me, I think the secret is in looking more at integrating through community co-ordinating committees. In London, we have the London co-ordinating committee to end woman abuse, which has very successfully demonstrated that type of co-ordination of service.

I am not convinced that the best answer is to have one big assault centre where all victims come in for their service, and there are a couple of reasons for that. One is that I think you limit your catchment area. One of the nice things about London is that we have people entering into our system from a variety of different points, and we would lose that through one centre. The other part is that we have to recognize how diverse the individual abuse that is experienced is.

I think maybe in the future we can go there, and maybe we can strive to get there through co-ordinating committees that can talk the same language and get rid of all the junk and rhetoric that blocks progress, but I think right now we have to remain autonomous. I know that is more expensive, but I do not think we are ready because we do not have all of the answers yet. I think it is a good vision maybe for 15 years down the road, or a decade down, but I do not think we know enough about what individual victim needs are right now to say that we can do it all under one roof.

CROSS CULTURAL LEARNER CENTRE

The Chair: The next group is the Cross Cultural Learner Centre. Come forward, please. You may proceed.

Ms Amery: My name is Zainab Amery. I am the education co-ordinator of the London Cross Cultural Learner Centre. This is Nico Barrett, who is the librarian of the Cross Cultural Learner Centre.

The Cross Cultural Learner Centre would like to thank the provincial government for providing agencies such as ours with the opportunity to present our concerns and views on the first NDP budget and its impact on our community.

By maintaining social assistance programs and services while remaining committed to the economic development of the province during this time of a devastating international recession, the government has undertaken a brave stance in the face of corporate criticism.

The effects of the federal policies of free trade and the movement towards manufacturing southward, the GST and the reduction of transfer payments to the provinces have resulted in soaring unemployment, small business and individual bankruptcies, cross-border shopping and high interest rates. These issues have had a detrimental effect on this province, hurting mostly those in the manufacturing and working-class sectors. The government has been caught between a diminishing work force and tax base created by federal policies and a federal government which further seeks to place the burden of welfare costs on the province by drastically reducing transfer payments.

We believe this budget is investing in the future of Ontario and in the direction of recovery. In a number of areas, the budget brings into focus the need to increase community support mechanisms at this time. For example, literacy and labour adjustment initiatives are an investment in the province's economic future while serving to provide

vital skills to those most affected and marginalized by the changing system.

The commitment and recognition of native rights, land claims and community development initiatives can only be lauded as part of an international movement to recognize indigenous peoples. Far from being a cynical move to bring about public support, this is truly an instance where government is supporting its policies with funding. However, it is essential that the government recognizes some of the negative climate around these issues within the public at large. We would encourage these initiatives be supported by increasing funding towards public awareness, education and sensitivity towards native issues.

Violence against women remains a major social problem that must be eliminated. Increased expenditures are essential to expand and enhance existing services to women and children who are victims of violence. In addition to this, we feel it is imperative to expand these services and provide family-oriented counselling, including specialized programs for male members of families.

Given the changing demography of Canada, it is also necessary to recognize cultural barriers which contribute to family violence. In many instances, these barriers are culturally transmitted, and although behaviour modification must take place, we must recognize that newcomers' cultural belief structures may differ dramatically from Canadian laws. It is vital that certain funds be allocated to combating violence against women to develop specialized programs and services from a culturally specific perspective with the objective of maintaining the family unit.

As the recession continues to have a devastating impact on our economy, individuals tend to blame their problems on newcomers, who are invariably members of minority groups. The multicultural demography cannot be changed into a single, homogenous grouping, so it is essential that programs that represent the restructuring of Ontario's economic growth provide for the funding and support of initiatives which represent our multicultural composition. Multiculturalism is not about songs and dances; it is about overcoming racism, prejudice and bigotry in order to achieve real acceptance and integration so all citizens in our community can share equitably in the benefits of economic growth.

The 1991 Ontario budget, while making great strides in fighting the recession and not the deficit, appears to be addressing minimally the need for expansion of education and sensitization through multicultural programs, which not only represent an essential component to the reduction of racist and discriminatory behaviour in our communities but are directly linked to all major areas of our society including education, health and employment equity.

We would encourage the provincial government to extend pay equity initiatives beyond women to the disabled, aboriginal peoples, minorities and newcomers. In addition, both pay equity and employment equity initiatives should seek to expand across the board and into the private sector.

Government budgets and policies have the potential to shape the quality of life for all members of our community.

Our newcomer clients represent a highly disadvantaged group. Although many members of this group are well-educated and skilled individuals, their low level of English

racism and the lack of support for professional or skilled recognition in Canada, or Ontario more specifically, undermine their ability to function fully within our community.

Manufacturing sectors, where we have seen the highest number of unemployed, have always employed a high number of newcomers with limited English literacy skills. There needs to be increased funding for specialized programs to assist these individuals in obtaining or upgrading language and job skills.

Every effort must be made to recognize the needs of ready trained individuals and assist this group to obtain specialized apprenticeship training which makes use of their previous experience and skills. The most hated word about the newcomer, the one he or she learns almost immediately, is "Canadian experience."

We would like to emphasize that our objective of participating in this forum is to provide a voice for the community groups we represent to ensure that all newcomers and minority groups are empowered to participate actively and equitably within our society. Workplace training, employment equity and literacy programs are all good starting points to assist our constituents in developing the skills and adaptability to participate in the new economic structure of our province.

In conclusion, we thank the government of Ontario for holding the public hearings on the first budget and providing with this opportunity to present our views on its impact on our community. It is essential to look to the future of this province and ensure that all members will share equitably the benefits of our economy. In our view, the budget contains some major initiatives and investments in the people of Ontario. We applaud the efforts of the provincial government and encourage it to continue looking to the future of Ontario.

The Vice-Chair: Thank you very much for your presentation. We will start the questioning process with the government party.

Mr Winninger: I certainly appreciated your presentation. It sounds as if we are not spending enough for you. Is that true?

Ms Amery: From our perspective, we are not receiving enough for our constituents. We have been capped for a number of years through the Ministry of Citizenship for our organizations. We have assisted in developing projects for this past year for individual community groups for which we have been told there are no moneys available through the Ministry of Citizenship because of reductions.

Mr Winninger: I know that the Cross Cultural Centre in London has a tremendous reputation and a model for other municipalities to follow. A lot of your funding does come from the province, does it not, from citizenship?

Ms Amery: Actually, no, most of our funding comes federally.

Mr Winninger: I see, so it is not a provincial funding problem you are addressing today.

Ms Amery: It is both; I think we are addressing both. From our perspective it is imperative that the two come together provincially and federally to most benefit the

group of individuals we are representing. On the one hand, we are representing everyone, and on the other hand, we are representing newcomers, because unless the climate is accepting within our communities, the newcomers we are bringing into our communities will not be accepted. If we are going to bring them, then we have a responsibility to ensure that they can participate in our community. Whether that is from the provincial or federal government's perspective, it should be a joint effort because they are living in both communities. At the present time they are being disadvantaged by both sides.

Mr Winninger: Some of your clients certainly are new immigrants to Canada and many of them require education and health care assistance before they become landed immigrants, right?

Ms Amery: Yes.

1510

Mr Winninger: I understand this is where government money plays a very important role.

Ms Amery: It definitely does. Language training has become one of the greatest problems, not only in terms of language training for basic language skills but in terms of finding a job. We have a number of people, for example, from within the Cambodian-Vietnamese community who were employed by several of the plants closed throughout London and St Thomas. Many of them came several years ago and did not receive language training. As a result of job losses, we find a huge client group that does not have the English literacy skills to move into another sector. They do not have any other skills to move into the language sector and they are basically floating around lost at this point. Not only do they require language training, but they also require job retraining to get into another field where they can work.

Mr Winninger: There were some delegations before us today that suggested we should not be spending any of this money and that we have to cut back on programs and pare down our deficit. What impact would this have on your clients and your agency? I realize you say you get most of your funding federally, but there is some from the Ministry of Citizenship.

Ms Amery: We get approximately \$73,000 from the Ministry of Citizenship in OSAP funds.

Mr Winninger: What percentage of your total budget would that represent?

Ms Amery: It is probably about 4% of our total budget.

Mr Winninger: If we took away the \$73,000 for your agency alone, would that have some impact on you?

Ms Amery: It would have a great impact on us.

Mr Kwinter: It would not have any. That was a trick question.

Mr Winninger: I think she should be allowed to answer the question without her time being used up.

Ms Amery: I do not have a problem with that in your question. I should make it clear that the funding we receive federally is from a number of different projects and is attached to a number of different projects. The OSAP funding

we receive is the only money we are eligible for to do education, workshops and leadership development with the communities we are dealing with. It is one of the only sources of funding available to do that with, provincially as well as federally. The Secretary of State has also changed its mandate. It does not provide as much funding towards educational processes under the multicultural area. There is a greater focus towards specialized racism programs, but geared away through the educational programs within the schools within the individual communities we deal with.

Mr Winninger: There are clients of yours who are sponsored immigrants and people here, their hosts, have undertaken to support them for a fixed period. Sometimes those sponsors pull out for one reason or another and the relationship breaks down. In the past these people have been denied social housing and social assistance. What would you like to see happen in this regard?

Ms Amery: I have had to deal with a number of cases where I have seen people turned down for low-income housing and welfare benefits who have been placed in a position where the host families have had to pull back either because of a breakdown in the agreement, in the arrangement, or because the host family was no longer able to support itself, let alone its sponsorees. I think we should be open to assessing eligibility on a case-to-case basis on that format. I feel very badly for people who are turned down automatically and not given the opportunity to receive some of those benefits, so that when they are brought to the country, they really have nothing to do with what the relationship ends up being. Unless you can force the host family to care, in some way or another, for the people they brought in, it is not fair to penalize the group that has come to Canada and wants to participate in the community.

Mr Winninger: That would require provincial funding.

Mr Phillips: Thank you for your thoughtful presentation. I particularly like the line you had, which I cannot quite remember now, which was something like multiculturalism not being about song and dance but about access. I am paraphrasing a bit. I totally agree with that. I think one of the challenges with multiculturalism right now is that it is subject to grave misinterpretation. I like your definition of it.

I think the concern about the budget is real for some of us. My question is about getting the economy going. I think some of us are deadly worried that a year or two from now, not only will it be difficult to sustain organizations like yours, but if there are not the funds, it may be tough just to keep at your current level, coupled with some real concerns some of us have about job creation and creating the environment where many of the people you are servicing can be best helped by a quality job. We understand the recession is ending and that one of the reasons the government brought this budget was in the expectation that the economy was recovering. Are you beginning to see the economic recovery with your clients? How is that manifesting itself?

Ms Amery: I do not think we are beginning to see it. In fact, in most cases I think we are seeing a perspective where the students themselves are feeling they are not

treated as if they belong in Canada. When I say "Canadian experience," it follows through on almost all aspects of their lives. It has become one of the most difficult ideologies to deal with, with the newcomers, because they do not know how to respond. How do you respond to an employer who says, "We know you have 20 years working as a welder but you have no Canadian experience and you have minimal English"? Six months of language training? How do you argue your point? How do you say to that person, "I am against the law for you to discriminate on the basis that you don't have Canadian experience"?

Because of our recession, we are seeing more of a backlash towards them. We are not seeing improved relations. We are seeing more people addressing the issues that people do not like them because they have an accent or because they are not from Canada. It seems to be on the increase rather than on the decrease.

Mr Phillips: That is surprising, because I thought you were coming out of the recession and that you might have seen that in the months behind us.

Ms Amery: It is unfortunate, but once attitudes change and people have found their scapegoats, it takes a process of re-education to get the general public to be accepting of the newcomers and provide them with opportunities, when they are seen as taking jobs from the Canadians.

Mr Phillips: One of the things that worries me a lot is this youth unemployment. I have spoken of this many times. Two years ago and one year ago youth unemployment was 8%; it is 16% now. Do you have many young people—"young" I mean in the 15 to 25 age bracket—who are clients of your organization? Do you see anything in particular, one way or the other, that changed with young people over the last few months versus what might have been the case one, two or three ago?

Ms Amery: With students in the 15 to 18 age range, the children of newcomers, we generally see that they will go through the educational system and many of them tend to go into the post-secondary sector as well. However, we are also seeing a number of people coming into the country in the 20 to 25 age range. A number of them will not go into the post-secondary sector unless they have had previous educational experiences that were incomplete. Even then they will go into the employment sector initially because they must acquire enough English to write a TOEFL or take it of English as a foreign language exam, which usually takes them between one to two years.

1520

Mr Phillips: In terms of the demands on your organization, I am trying to get a feeling for what the demand would be today versus a year ago and two years ago. Have the needs changed in any area? Are you putting more focus on something now that you would not have a year or two ago and less in other areas?

Ms Amery: We are putting more focus right now into outreach into existing communities, because as I said, we have seen an increase in racism in terms of how people are settling into the community. Where prior to a year ago we dealt primarily through our settlement services with

government-sponsored refugees or church-sponsored refugees, we are now in a process of reaching out to the culturally specific communities in general. We have also submitted to the Secretary of State a three-year plan to do institutional change within some of the private and business sector areas in the London community, because we are finding that is one of the areas where we have to make change in order to get some of our clients into those employable positions.

Mr Phillips: That is a sort of a cloudstorm on the horizon for us, I think, what you just said. You perceive an increase in racism?

Ms Amery: Over the last six to eight months, we have already seen an increase in racism. One of the examples I can give you is that throughout the Gulf war what we saw was a number of the schools, because London has a very large Arabic community in certain sectors of the city, was a high incidence where it was necessary for the people in the centre to go and do work with the school boards. We joined forces to develop resource lists and provide resources, but we saw quite a number of instances just over a three- to four-week period.

Mrs Cunningham: This is an appropriate time for me to jump in because I was one of the founding members of the Cross Cultural Learner Centre. It is interesting to see how it has kept your main focus but changed some programs as the needs of our community have demanded.

I would like to clarify a couple of things. When the school boards were asking for your help, it was basically a preventive thing, was it not? Teachers, as always, are looking for ways of dealing with situations, so I think it was a preventive, knowledge-based kind of thing. At least, the committee report I read from the school board said that.

Ms Amery: There were two instances. In one instance, we were asked to go in as a preventive measure. We addressed the principals and we provided them with resources. In the other instance, it was because of a response to incidents that had happened in one of the schools.

Mrs Cunningham: Perhaps it was whatever you provided them with that I was reading, as a result of the program committee, which I thought was a great use of our resource, because initially the Cross Cultural Learner Centre started to assist teachers in curriculum, if you can believe it, so we have come a long way.

I was going to ask some specific questions. Perhaps down the road and after this meeting, I can be of some assistance to you, because it has been a year since I talked to your director with regard to his needs, so you are presenting what he would normally present, I think, in my office.

When you talk about talking to the Secretary of State, right now the money for the literacy and labour adjustment with the Department of Employment and Immigration. There is a lot of money and Ontario has not tapped into it; other provinces have. I am not quite certain, although I am speaking to our minister as well who is involved in the skills development part, with regard to how we are going to access that money. As soon as I find out what it is, or if I can influence it in any way, certainly feel free to get in touch with my office, because it is brand-new for Ontario.

Ms Amery: Can I just address it to you?

Mrs Cunningham: Dianne Cunningham, London North. I have a card. We will see you afterwards.

The point I am trying to make is that there are so many institutions involved in the literacy part of your work just here in London. Mr Sutherland and I have had some extensive discussions around what we would like to see happen and how we can support it after talking to the groups. We have not chatted with your group yet, but I think it is an issue for your organization because of the many areas you touch upon. Certainly G. A. Wheable Centre for Adult Education must be something you work with, as well as the churches, in the provision of programming.

Ms Amery: We participated in the meeting with the labour adjustment board when it came to discuss the process and how it was going to develop.

Mrs Cunningham: Good.

Ms Amery: My understanding is that nothing has come into existence yet.

Mrs Cunningham: That is right.

Ms Amery: We are hoping that will develop and help some of the individuals who will need its assistance. My understanding, though, from the individuals who presented at the forum in London, was that it probably would not affect those individuals who had already received a layoff or who were not already in the workplace and were going to be laid off.

Mrs Cunningham: My job is to make certain that the agencies in London get the money they want. We can talk about that down the road. We are not aware just what the ground rules are in Ontario. We do know that other provinces have their money and we do not, so we are interested in getting as much as we can.

I am interested also when you talk about this Canadian experience. Certainly in my office when I get young people in—I did not know that number was 16% youth unemployment; I knew it was more than 10%, but I did not realize it was 16%—we are seeing it. I think Dr Pedersen will be here tomorrow to talk about the University of Western Ontario and I am sure it will be one of the things he will tell us, that we see students going back to school. Are you having that phenomenon within the group of students you deal with? Are they going back for other degrees or graduate degrees?

Ms Amery: They are not really going back for other degrees. What we are seeing is people coming out of programs like Fanshawe College or Wheable and going into another program. For example, they may go for six months' language training at Fanshawe and immediately to Wheable or the Centre for Lifelong Learning simply because they cannot get into an employment program and they cannot get into the employment workforce. They are stranded in between and they go for language training, they go for computer upgrading or business courses, but they go where they do not have to pay and they go where they can learn English. They do not normally go into, as I said, the post-secondary sector unless they have had some previous professional experience.

Mrs Cunningham: When you said OSAP, I thought there was something I did not know there. That is for the others who are specific to the university or to the colleges.

Ms Amery: Right.

Mrs Cunningham: You have been most helpful, but I think our discussion has just begun.

The Chair: I would like to thank you for appearing before the committee.

The Registered Nurses' Association of Ontario is not present as yet. I guess we are going to have to take a break until they get here.

The committee recessed at 1528.

1543

The Chair: Talking to the three parties here, as it getting on to 3:45 and the Registered Nurses' Association of Ontario has not appeared yet before this committee and its time is running out, we will accept its written submission to the committee. It is unanimous that we adjourn the day and meet again tomorrow at 9 o'clock in this room.

The committee adjourned at 1544.

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Finance and economic affairs

1991-92 budget

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de l'Ontario

Première session, 35^e législature

Journal des débats (Hansard)

Le mercredi 21 août 1991

Comité permanent des affaires
économiques et financières

Budget de 1991 à 1992



Chair: Jim Wiseman
Clerk: Todd Decker

Président : Jim Wiseman
Greffier : Todd Decker

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Wednesday 21 August 1991

The committee met at 0902 in the Sheraton Armouries hotel, London.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

BOB WOOD

The Chair: Mr Bob Wood is the first witness. You will have 15 minutes for your presentation. Try to leave a little time at the end for questions and answers.

Mr Wood: Mr Chair, members of the committee, you have the duty to study a budget that is the worst policy mistake in the history of Ontario. That covers a lot of ground. It taxes too much, spends too much and borrows too much. It kills jobs, fuels inflation and is out of sync with the fiscally responsible direction of every other government in Canada.

This budget is based on the NDP government's failure to understand certain basic truths about Ontario economic policy-making in the 1990s. These truths are:

Ontario's budget policy must be consistent with the federal government's, which must be consistent with the developed countries'. France, a country of 55 million, tried consistent policies 10 years ago, with disastrous results. Developed economies are too interdependent for any country, let alone region, to try to go it alone.

John Maynard Keynes's 1930s idea of increasing spending during a recession has become outdated. People know that most spending increases come automatically now—more social assistance payments, etc—and spending on new programs can very quickly get out of control and become inflationary. This is particularly true now when the spending increases are coming too late in the recession and will only fuel inflation later, as happened in Ontario after the last recession. Voters know that the best way out of a recession is to let market forces end the recession. Massive new spending simply compounds the problem.

Big deficits are bad and destroy any financial flexibility a government would otherwise have. We need only look to Ottawa for proof. Deficits are also the unfair taxes of all, ones imposed by us and paid by our children and grandchildren.

Taxes in Ontario are already too high. The tax revolt that swept the province earlier this year is based on a high degree of voter frustration, and these people "aren't going to take it any more." Ontario is now the highest-taxed jurisdiction in Canada. We will pay a heavy price in lost jobs if we do not change this.

Ontario desperately needs restraint in government spending. In the last six years, spending has doubled. There does not seem to be a single special-interest group that Bob Rae can say no to. The reason this province has

lost so many jobs in this recession is that our costs, including taxes, are much higher than other provinces and states.

Bob Rae has become Ontario's Donald Trump. He spends other people's funds without regard to restraint or value for money. The ultimate result will be to make Ontario the same kind of economic basket case that the Trump organization now is. Mr Rae believes that more is always better, be it taxes, spending or debt. Businesses before Trump and governments before Rae had learned the hard way that this is wrong, but we are about to experience again the old adage that those who do not learn from history are condemned to repeat it.

This committee should recommend the following program: an immediate tax freeze—any tax increase must be balanced by an equal or greater tax cut; a balanced budget within two years; a serious program to control government spending and get better value for our tax dollars; tax cuts oriented towards creating jobs once the budget is balanced. Only these steps will avoid the economic mess into which Ontario is sinking.

In conclusion, let me leave you with two thoughts. The severity of the recent recession in Ontario was the direct result of our costs being too high in relation to neighbouring jurisdictions. A major cause of our cost problems was David Peterson's massive tax-and-spend policies. It was like prescribing poison to see if it would make the patient feel better. The NDP government has continued the Peterson tax-and-spend policies with a vengeance and has added a new twist: the biggest deficit ever. Bob Rae's financial policies are like prescribing more poison to an already sick patient. The tragedy is that the longer this goes on, the weaker our economy will get and the longer it will take to recover.

The final point I wish to leave you with concerns public attitudes. There is a deep malaise among voters and they are not going to suffer silently much longer. If the politicians do not get the message soon, citizens are going to take matters into their own hands, the way the people of Blenheim recently did for a day. Ontarians are not very far from a large-scale tax revolt right now. It is too early to tell what form such a revolt might take, but we may have to require that no tax hike and no increase in public debt can be effective until confirmed by a direct vote of our citizens. One thing is certain: This budget is leading us to economic disaster, and the sooner we change course, the better.

Mr Phillips: First, I do not know how well you have examined the budget, but there are many ways to balance it. One way they are looking at balancing it is by putting capital into debt and putting many of the expenditures in other areas, like Hydro and what not. I would like your thoughts on what you mean by a balanced budget.

The second one is that most economists we have heard from believe that Canada and Ontario are well on the way to recovery now and that things are going to be fairly rosy

in the future, which is in contrast to your kind of prediction here. I am wondering if you would care to comment on that.

Mr Wood: By a balanced budget, I mean a balanced budget under the current accounting system. In other words, I think we should go from \$9.7 billion down to zero. I do not say the predictions of improvement in the economic cycle are wrong; I think they are right. What I am saying is the policies of the Ontario government are going to sap the recovery in Ontario rather than augment it. It is not that I think we are going to continue in a recession; it is that I think the policies the Ontario government is following are going to make our recovery weaker and make the next recession worse. I think the economic cycle will continue to apply to us. The problem is that our economy is going to be a lot weaker than it has been in the past.

Mr Phillips: I do not personally disagree with that, but as the NDP call it, the "prestigious" Conference Board of Canada is predicting Ontario may have the most robust economic recovery of any province, in spite of what you just said. I am wondering how you might explain that.

Mr Wood: Certainly their crystal ball has not been perfect in the past, and we are starting from a much weaker base than the western provinces in terms of the depth of the recession. Those factors tend to make a recovery look stronger, if you are lower to start with. I guess only time will tell. Our economy is clearly a lot weaker now than it was eight years ago. That is why the recession has been a lot worse in Ontario this time than it was in 1981-82. The figures are irrefutable on that. I am saying that if these policies continue for another four or five years, we are going to be that much weaker again.

Mrs Cunningham: One of the criticisms we get when we take the positions that you have taken, and I happen to agree with them, is that we are out to cut out all the social programs. The question you will probably be asked, unless they choose a different one today, is, if we did in fact achieve a balanced budget, what would happen to social programs? If you are talking about a balanced budget, what kind of things would you look for in doing that? What would you look at?

Mr Wood: I would look at the mistakes the government made in the budget it just presented. I would reverse what they did in the current budget, which would get us fairly close to a balanced budget, and I would then see what could be done by way of spending control and better value for tax dollars. When you have a \$40-billion budget, it does not take a large percentage cut to cut \$3 billion out of your expenditures.

Mrs Cunningham: The second question I have is with regard to comments, again both from presenters and from some of my colleagues across the way, with regard to interest rates and the federal government. Most of the briefs before this committee in support of the budget say two things. The first is that it is a great budget even for the construction industry, which is hard to believe. I will tell you the construction industry in London did not say that yesterday, but the one in Toronto did. The second is that the federal government is the real problem here, especially with regard to interest rates.

Where I am coming from is that I was privy to some meetings with Japanese lenders on the weekend in Victoria, British Columbia, who are telling us that they are not particularly interested in helping us much further, and people know that they already have \$45 billion invested in our debt. If you could perhaps remark on the three points you have raised, I would appreciate it.

Mr Wood: I think the construction industry is dependent upon the economic health of the province. Certainly the policies between 1982 and 1990 clearly sapped, in a major way, the economic strength of the province. I say that this budget is going to make that situation worse. We are all basically in the same boat. Giving money to a particular sector does not really help it, other than in a very short-term way. Either the economy is strong or it is not, and I say it is going to be a lot weaker in five years than it is now if these policies continue.

I think the federal government has done a reasonable job on interest rates, because the massive deficits that it has had and to a lesser extent this province, have forced it to have high interest rates. High interest rates are directly related to the massive deficits the federal government is running.

0910

Mr Christopherson: I would like to start by thanking Mr Wood for his presentation and for taking the time to come here today.

I note that you start your written presentation with an acknowledgement that you were a PC candidate in the last provincial election. Therefore, I found it interesting. To follow up on a question from Ms Cunningham regarding the balanced budget, the opposition parties have been rather adamant along the way to be sure people did not believe they were saying that there needs to be an immediate balanced budget. When we have suggested that is what they want, they have challenged that and said that is not the position. I see you have stated there should be a balanced budget within two years.

First of all, to get to a balanced budget, you are talking about massive—not tinkering, not paring back—cuts in expenditures. In light of the fact that you had run and have offered up that information of looking to be a part of this Legislature, can I ask for just a little more detail rather than just "look for control of spending and try to find inefficiencies," when we are talking about that kind of massive cutting. Given your own involvement in the political process, could you narrow that down somewhat and give us some sense of where you would start if indeed you were to begin looking for a balanced budget within two years, in light of the fact that even your own party colleagues have not taken that stand?

Mr Wood: Yes, I would reverse all the spending increases contained in this budget. You can debate just what are spending increases and what would have happened anyway, but I think that would reduce the deficit by about \$6 billion, plus or minus. You can play around with what is the right figure. I would look at the increases year by year over the last five years which would get us to more than a balanced budget.

What I would also do is look at across-the-board controls on any increase after inflation. Typically we can look 2% to 3% growth. Whether that is going to happen in the next few years, time will tell. If we have that in our revenues in real terms, that gives us over \$1 billion a year. Those are the areas I would look at.

Mr Sutherland: I find that very interesting, because I believe if we went to a balanced budget, it is something like \$147 million per riding. There are three ridings here in the London area, so you are talking, at a time when the private sector is not investing anything, of taking \$450 million out of the economy of the city of London.

I just wanted to ask you about Blenheim—you mention there—and about its tax revolt day. We heard a great deal about how they did not charge any sales tax and everyone packed there.

What I want to know is, did they close down all their sectors' offices? Did they charge tolls for their roads? Did they take away all the social services for the day? Did they defer any of those services at the same time they were giving this tax revolt?

Mr Wood: I think that question is, in essence, a red herring. What the people in Blenheim were saying, of course, was not that they were not going to pay any taxes. They were making a symbolic gesture that taxes were too high. In that, I think they are quite right. They are not thinking—nor is anybody in this province—in terms of not paying taxes. What they are thinking in terms of is paying taxes that are fair and are economically sensible. Taxes are high and people are going to do something about it one way or the other. It would be very interesting to see how many candidates run in the municipal election and are elected on the platform of a tax increase. Dam few, I will predict.

The Chair: Mr Wood, thank you for your presentation.

Mr Wood: My pleasure.

CANADIAN AUTO WORKERS, LOCAL 1520

The Chair: Would CAW, Local 1520, please come forward. Welcome to the committee on the budget review. See you are on for 10 o'clock and it is 9:15. The other two presenters are not in the room yet. This will save time and give everybody an opportunity to make a presentation. For the purposes of Hansard, please identify yourselves. You have one half-hour to make your presentation. In that half-hour, try to save some time at the end of the presentation for questions and answers from the three parties. You may begin.

Mr Witherspoon: First of all, good morning. My name is Rick Witherspoon. I am the president of CAW, Local 1520, and my co-presenter this morning is our financial secretary, Dusty Miller. Dusty himself resides in St Thomas and I am from London.

Local 1520 represents close to 3,500 members employed at the Ford Motor Co St Thomas assembly plant. For those of you who are not familiar with that facility, we would like to give you a little background so you will have a better understanding of just exactly what we do out there.

The location itself is on Highway 4, just north of St Thomas and is on a parcel of land of about 635 acres. We actually have over 44 acres of concrete floor underneath

one roof where the production takes place, somewhere in the vicinity of 2.2 million square feet of actual production space, with over 12 miles of conveyor systems that run through that plant.

Looking at the facility itself during normal production, if you are looking at straight-time hours, as far as equipment and supplies coming into the plant are concerned, we unload somewhere in the vicinity of 155 transport trucks a day. That has probably increased dramatically recently, now that we have gone to a new production line of cars and are involved in the just-in-time delivery system. We also use the rail system and probably unload about 55 rail cars a day to supply our production.

As far as consumption is concerned, we use over 100 million kilowatt-hours of power each year, which would be the equivalent of what it would take to run close to 9,000 average homes; as far as water is concerned, over 400 million gallons of water a year or the equivalent to run 5,000 households; as far as natural gas to keep the place supplied and running and heated is concerned, the equivalent of what it would take to heat over 5,000 homes in this region.

At present, looking at our production system, we have over 100 robots within the system that do a lot of the different processes: welding, sealer operations and actual installations. As far as production is concerned, if you were basing our production on a 40-hour week looking at the capacity where we can normally build, when everything is right, 60 units per hour, we have the capability of building 250,000 cars a year. If you are looking at a 48-hour production schedule, which we have been running now and unfortunately have been doing almost for the last 10 years, over the course of the year we have the capability of building 288,000 units.

In actual production time, it takes about 20 hours to build a car. We put one car off the assembly line once every minute. From start to finish, where you actually start off with a piece of metal and end up with something rolling off the end of the assembly line that is running in a finished unit, that takes about 20 hours.

We had our peak capacity back in the mid-1980s, where we built in excess of 280,000 units per year. The models we are building now are the Crown Victoria and the Grand Marquis; I am sure you have all seen the new version that exists out there. To build that car, it takes in excess of 4,000 parts per car that have to be assembled in our plant, with over 2,000 welds to hold it together.

0920

As far as manpower is concerned, when the plant started back in 1967 we had approximately 1,500 people on roll. In 1991 we find ourselves with about 3,000. If you want to break that down into regions to give you some kind of idea, from London we have approximately 55% of our workforce, from St Thomas about 25% and the other 20% would be spread around the surrounding areas. Currently we are in a position where approximately 400 of our members are on indefinite layoff with very bleak prospects of ever returning to our plant. Because we find ourselves in that position, we felt compelled to request standing before the budget committee. I personally would like to welcome

all you committee members to London and thank you for your efforts to make sure the public voice is being heard.

Currently we find ourselves in the worst recession experienced in the last 50 years. Working people all across the province are having to endure tremendous hardships. Unlike other recessions, this one is more serious because its effects are expected to last even longer, with 65% of the major layoffs due to permanent plant closures while bankruptcies have increased by 75% in Ontario. Compared to the recession of 1981-82, twice as many Ontario workers have lost their jobs in the first year of this recession.

Job losses in this province have totalled 236,000, an increase of 4.3% in unemployment compared to an increase of 2.1% during the 1981-82 recession. Ontario's rate of job losses has been over twice that of the national average and accounts for almost 80% of the national jobs lost. The most unfortunate part of this is that many of these jobs are gone for good. In addition, 43% of those jobs that were lost were in the high-wage manufacturing sector. The implications for government revenues, let alone the impact on those who have lost their jobs, are obvious.

In this government's first budget a choice had to be made. I am glad to see that while most governments are slashing much-needed programs, this government has not backed away from its responsibility to protect working people in tough times. Those denouncing the present budget would have the public believe that the \$9.7-billion deficit is a product of the budget and reckless NDP spending, when the fact is that the deficit would have been around \$8 billion had the government done nothing.

It is especially important that we not lose sight of the reasons behind the deficit, that most of the deficit comes from the reality of the recession itself: falling revenues, increased costs in health care, social services and education. A very large part of the deficit is a direct result of the cuts in federal transfer payments. In fact, \$1.6 billion of the NDP deficit is actually the work of Brian Mulroney. This, coupled with the federal policies of high interest rates, the high dollar and free trade, has had devastating effects.

Something else we must keep in mind is the fact that the previous provincial government campaigned not only on a balanced budget, but on a predicted budgetary surplus. The reality was that this government took power with a \$2.5-billion deficit. In addition, another \$3 billion of the deficit is due to increased spending to maintain the levels of existing services, primarily in health care and education. When all of this is totalled up, we find that the NDP government's spending on new programs adds a mere \$1.5 billion to this deficit, with over half of that going directly to job creation.

Those who term the deficit unmanageable need to put it into perspective. The Mulroney government spends 34 cents of every tax dollar collected on its deficit while the Ontario government spends 12 cents, far below the federal rate and less than the debt charged by most other provinces.

No one likes to see a deficit, but spending money is critical to stimulating economic growth.

The first NDP budget contains initiatives designed to fight the recession while maintaining services to people: programs to maintain or create 70,000 jobs; a wage protection

fund to protect workers if their employers go bankrupt; taking 120,000 low-income Ontarians off the tax rolls while raising taxes for those making over \$84,000 a year; 10,000 new non-profit or co-operative housing units which will create over 20,000 jobs; an anti-recession program to help municipalities, schools, school boards, hospitals and colleges—for example, in London over \$1 million for a new facility for the art gallery, \$250,000 towards sewer and road work, \$687,000 for renovations and improvements to the St Joseph's Health Centre, over \$1 million to help in renovations with Marion Villa here in London, and at St Thomas an estimated \$10 million towards bridge repairs, road work, sewer repairs and a new recreation centre, and there is no question that money is going to go to generating thousands of person-hours of work—the decision not to piggyback the provincial sales tax on top of the GST, leaving \$470 million in people's pockets; money for research and development; relief for farmers; social assistance reforms; additional funding for victims of sexual and domestic violence.

Liberals and Conservatives say they would have a much lower deficit, but at what cost? What would a balanced budget look like? To balance the budget, two things have to happen: increase revenues and cut services. Let's increase some revenues: the sales tax in the province from 8% to 9.1%; individual income taxes by 14% of current levels; hike taxes on gasoline and tobacco by 14%. Let's cut some spending: cut spending to our schools at all levels by \$920,000; cut spending to social services by another \$726 million, with the remaining \$1.5 billion to be spread among the other 20 or so ministries. The end result may well be a balanced budget, but what would that mean to a city like ours?

In a community like London, people would be faced with a 14% overall provincial tax hike. Health spending in London would be cut by \$39 million. How many beds would that be? How many nurses' salaries is that? Education spending would be cut by \$21 million. How many classrooms would have to close? How many teachers would be thrown out of jobs? Social service spending would have to be cut by \$16.5 million. Is a city like London going to be able to take up that kind of slack, or do we simply cut families off, keeping in mind that 40% of those recipients are actually children? Eliminating the anti-recession programs would eliminate more than 1,500 jobs in a city the size of London.

In closing, the question I would like to ask the members of this committee is, would a balanced budget produce the kind of Ontario we want? Would a balanced budget make London the kind of city you would want to live in? Our answer is a resounding no. In our view, the budget is a major step in the right direction. It represents an investment in the people of Ontario and this budget lays the groundwork to sustain prosperity into the 1990s. On behalf of CAW, Local 1520, thank you for the opportunity to make our presentation.

0930

Mrs Cunningham: Thank you for your presentation, and especially for informing us what work you do and would like to be doing even more of at Ford. I really

preciate it. Coming from my point of view, I suppose we could have a philosophical disagreement with regard to a balanced budget, but for me as an individual, probably this or a balanced budget would not have been possible. Otherwise it would have been. I do not think it would have, but it is certainly something we strive for. The previous presenter was talking about a balanced budget over the next two years. That would be a real challenge, but something I think we have to work towards.

The bottom line for myself in living in this city, and for my children, is that there will be lots of work for them. The thing for myself, and I would like you to comment on that I am saying, is that one of the reasons people are not investing in Ontario—I have been involved with three or four different industries coming to London in the last four or five months and we have been somewhat successful with a couple of them, but people who were looking at us a few years ago are not even looking at Ontario. I think part of it is this uncertainty that we face and the fact that we are running a big deficit.

When I was first elected in London North, I was appalled to think that my kids would have to pay back a debt of some \$10 billion, and I am even more appalled to think that in three or four years that could be \$80 billion. So as a parent, I have a different point of view.

I have seen where you would make the cuts. Mine would be different, and they would certainly be phased in, probably over about seven years, but it would be my goal. I would just like you to respond to what I say to the public when I am looking for their votes, because that is how I would do it if I were in government now.

Mr Witherspoon: Our view of course does differ somewhat. I guess you, being of political stripe, know or have an opportunity to talk to some of the people who are either coming or going from the province as to whether or not they find it economically sound here.

I am a parent as well. I have two children who are going to be going out into the workforce at some point in time in the near future.

Quite frankly, looking at the budget itself and whether or not it is going to stop people from coming into the province, I turn the tables again, because I think a lot of these jobs that are being lost and the direction in which they are going is not necessarily because of this provincial budget, but it is because of some of the things our federal government has done to us: the whole business of the free trade agreement, the conversation now of a trilateral agreement.

You want to get into the whole business of talking about competitiveness and whether those people are going to be able to come into Ontario and compete. If we are going to talk about competing with people in the southern US and about competing with people in Mexico, if our people are going to work for \$3 a day, I guess we can compete.

But that is not the issue at hand, because we have a good, stable workforce. In actual fact, over the past little while we have actually started seeing reports of people who have gone to Mexico or the southern US who are coming back. It is costing them more to produce things, but they are getting a reliable workforce, people who will come to work every day. We have a good workforce. We

have a reliable workforce that, given the opportunity, can build extremely good-quality products and what have you that can go back into society.

Mrs Cunningham: I do not disagree with what you are saying, by the way. I would come to the defence of the federal government, no matter what party was in power right now, and I will say that openly and I do say it openly, in that the debts that were built up over the last decade have caused us to be in a terrible mess. My colleagues will be fed up with me talking about being in Victoria, but some of their colleagues were there too and they had the same opportunity I had to listen to the Japanese community talk about charging even higher interest rates to the Canadian government. We borrow over \$53 billion now.

I find this whole thing frightening and my position is that we have to manage much more wisely. I speak, by the way, as a person who worked for the government with the Ministry of Community and Social Services. I would put all of my money into the front line, with the social worker and the family, as opposed to the layers and layers of bureaucracy, to try and get things done. So I do know where there can be some cuts.

On something you said with regard to the future and our kids and attracting jobs, we did hear from one person yesterday, and it is a group that I am familiar with, for the small business community out near Fanshawe College. One of the businesses that was here yesterday happened to be, to put it in a wide term, in technology. We chatted last evening on the phone. Most of those businesses find themselves quite competitive, but they are very small. I think there are places where we are competitive, basically because I think we do have some bright young people who will contribute to the world, and second, I think we do have a great workforce with good ethics. But one of the—

The Chair: I am afraid I have to cut you off, Mrs Cunningham. The time is up.

Mrs Cunningham: Could I just ask a question? We started this morning at 9 o'clock. This group started at 9:30. Where are we going to make up the time?

The Chair: This group started at 9:15.

Mrs Cunningham: Are we going to lose some time, because I think they are very sincere in their presentation.

The Chair: But each party has its opportunity to ask, an equal amount of time in questions.

Mrs Cunningham: Can we not have more time with this group, since we have time to make up?

The Chair: We do not know, because the other group can come in.

Mrs Cunningham: Can we come back at it then if the other groups do not come in?

The Chair: We have been following the schedule. What we have done is fit in another group. I am sorry, but your time has run out.

Mr Christopherson: To Rick and Dusty, welcome. Thank you for the hospitality we are receiving here in London. I am enjoying your comments, and obviously the opposition members are too, based on their desire to continue dialogue with you.

A straight, simple question: There has been a fair bit of discussion by a lot of presenters and by opposition members about the ability of Ontario business, particularly manufacturing, to compete. I would like to ask you how competitive you feel the Ford Motor Co in St Thomas is.

Mr Witherspoon: I guess with that I would have to ask, who are you asking us to be competitive with? If you are talking about the Big Three throughout the rest of Canada and the United States, we as union representatives sit down with the company on a regular basis to look at the state of our economics as far as the company in comparison is concerned. There is no question that we compare, that we stack up with anybody else who is producing the calibre of vehicles that we are. I think it is important that when you talk about that, you have to deal with apples and apples. As far as any other manufacturer that is building the same type of units that we are is concerned, we stack up with anybody—probably better.

Mr Christopherson: That is the answer I was hoping to get, because the questions from the opposition members of some witnesses tried to lead down the path that we are not competitive and that as a result of this government being elected and the measures of this government, the entire economy is going to hell in a handbasket and we are going to be totally uncompetitive. That is why I thought it was important particularly to ask union representatives in a well-established manufacturing base how you feel about your competitive position, and I am pleased to hear that you are feeling good about that.

I guess the only thing I would ask you is, do you think there is anything in here that is going to change that for you for the worse? Have we done anything that is going to hamper your ability to represent your members and yet still allow the company you work for to remain competitive?

Mr Witherspoon: No. Just to try to put that into perspective, if you take our plant as a stand-alone plant and look at the large car production throughout Canada and the US, our plant alone supplies 14% of that market, as one plant.

Mrs Sullivan: That is 14% of North America?

Mr Witherspoon: Pardon me, 14% of the large car production, not 14% overall by any means.

Mrs Sullivan: Not 14% of the market?

Mr Witherspoon: No.

Mrs Cunningham: It would be nice, though.

Mr Witherspoon: It would be nice, yes. We could not build enough cars.

Mr Phillips: Did the NDP not stamp on large cars, though? Are they not getting rid of the large cars?

Mr Witherspoon: If you want to stay in the vein of that type of production, I do not think you are going to see them go. People have said we are going the way of the dinosaurs with the big cars.

Mr B. Ward: I would like to thank you for your presentation and the support for the direction we are trying to take as a government. We have had pretty well two different interests coming before us. Some, as Gerry often says, are against, and others are for, and we will not know until a year or so down the road who is right. It is a good question.

I too am a parent. My little girl is fairly newborn, five months or six months old, and I am looking farther down the road than next month or next year at what type of society we are going to have when she gets older. My greatest fear is that if we listen to some people and the organizations, we will head down the road the Americans are, where it is an "I'm all right, Jack," dog eat dog, "Who cares about my neighbour?" type of society where 35 million people do not have access to medicare because they cannot afford private insurance. That is my greatest fear.

I was just wondering what your thoughts are had we taken that road. We have attempted to maintain health and education standards in this province during these tough times, recognizing the shortfall in revenue. Let's look farther down the road than even next year. What type of society do we want to have in Ontario, and are we willing to have that commitment to keep that society?

0940

Mr Miller: Rick mentioned earlier that we had 400 people on indefinite layoffs. Of those 400 people, a lot of them are now approaching the point where they are going to run out of unemployment benefits. That means they only have one alternative, and that is the welfare system, to be able to maintain any type of economics in the household at all. We have 400 people in our location who are looking at that in the very near future. In the community we come from, St Thomas, we are looking at between 2,000 and 3,000 people who are running out of benefits.

It is only due to the budget and the moneys that were put into the social assistance program that we are going to help those people through some very tough times. As to the ever-increasing food bank situations and so on that we are finding ourselves in, actually we should not have food banks in Canada today, but we do. We definitely are in some very hard economic times right now, and without the moneys that were put in it would be even worse. What would we do with those people who are running out of benefits when they start lining up at the social assistance offices?

Mr Kwinter: I just want to correct a misconception that a lot of presenters are making; that is, when you say the reality was that this government took power with a \$2.5-billion deficit. You should know that when the election was held on September 6 and the government came into power, it was six months into the fiscal period 1990-91. At that time, at the end of the six-month period, the Treasurer reported that there was a \$750-million deficit. So when the government came to power, it had a \$750-million deficit. At the end of six months that was their doing—they were responsible for six months of that budget—it was not a \$2.5-billion deficit, it was a \$3.5-billion deficit and that was their doing. They had responsibility for it. They are the ones who could have made the changes or made any adjustments they wanted, but it was \$3.5 billion.

Another comment, and I would like to get your reaction: I notice that the Canadian Auto Workers in particular are very critical of free trade. I find it, as the expression goes, passing strange that the CAW would be opposed to free trade, because you have been the beneficiary of a similar free trade agreement, the auto pact. Now 80% of

the production of that St Thomas plant goes to the United States and you have been the direct beneficiary of that kind of arrangement. Why would you expect and hope that we could cut that off and that the cars that are made there could go only into the Canadian market?

Mr Miller: First of all, the free trade agreement is totally different than the auto pact. Under the current free trade agreement we lost what we had under the auto pact. We used to have 60% Canadian content under the old auto pact. When free trade came in, we went to 50% North American content. In reality, we lost 400 jobs because of that. We lost production out of our plant to the US and Mexico in order to facilitate the corporate average fuel economy requirements under the free trade agreement. So we lost jobs under free trade in our location. You cannot compare the free trade agreement and the auto pact at all. They are two different things altogether, and under that we did lose, we did not gain.

Mr Turnbull: Mr Chair, on a point of information: I could just like the record to show that last year for the first time in history we actually had a higher amount of sales from Ontario to the US than sales from the US to Ontario.

Ms M. Ward: You're out of order.

Mr Christopherson: Don't come in here and start talking nonsense.

Mr Turnbull: You don't like that, eh? That is the truth.

Mr Phillips: Thank you for your presentation. You are setting on this budget as the one that is the right one. Some of us are concerned it is not. We will only know probably a year or so. I find it unusual for the labour movement to be praising a budget, with 10% unemployment continuing for at least three years, with virtually nothing in it that is going to create jobs in the private sector to put your members to work. I am just a little surprised your brief does not mention anything about job creation, about economic activity, about getting things rolling.

Is the CAW prepared to live with the unemployment rates that are projected in this budget? How free are you to criticize the budget? Just how free is the CAW, with its very strong ties, obviously, to the NDP? How free are you to speak on behalf of your members in the job creation area? A year from now we will be sitting here and either they will have been right and you will say "Yes, they were right," or if some of us are right, I think you will want to be fairly critical of the budget. I am just wondering what freedom you have to move in that area.

Mr Miller: Rick did talk about the job creation programs in the budget. They are nowhere near the numbers we would like to see.

Mr Phillips: I do not think there is anything for the private sector in there.

Mrs Cunningham: There is nothing for the private sector. It is all public.

The Chair: Excuse me. Mr Phillips, you have about 30 seconds.

Mr Phillips: Okay. I have to stop there.

Mr Miller: He did talk about job creation as far as contracting, building, the sewer systems are concerned—

the type of things that are being upgraded—and those are let out to private contractors. They are not government jobs.

Mrs Cunningham: They are all short term.

Mr Phillips: What about the free to criticize one?

The Chair: The time has run out.

Mrs Sullivan: Can we just have the answer to this question?

The Chair: Excuse me, the time has run out.

Mrs Sullivan: On a point of order, Mr Chair: Can we have the answer to this question?

The Chair: It depends if the three—

Mrs Cunningham: We all agree.

The Chair: All three parties agree?

Mrs Cunningham: Give me a break. We want the second question answered. You are going to say no?

Mr Sutherland: Are you going to keep badgering and not give him an opportunity?

The Chair: We went through a time period that was agreed upon by the subcommittee.

Mr Turnbull: Open government.

Mr Christopherson: We did fine until you got here.

The Chair: I would like to thank you for your presentation.

0950

LONDON FAMILY COURT CLINIC

The Chair: I will call on the London Family Court Clinic. You have one half-hour for your presentation. Near the end of your presentation, the time will be equally divided among the three parties. Sometimes if the answer or the question becomes a little long, you will be cut off because each party has an equal amount of time. I am not cutting you off because I do not want to hear the answer. Identify yourself for the purposes of Hansard.

Dr Sas: My name is Louise Sas. I am a clinical psychologist at the London Family Court Clinic and I specialize in the preparation of child witnesses for testimony in court. I also do child welfare assessments and young offender assessments, and also assessments for parents who are separating and divorced. These assessments involve custody and access issues.

I am going to talk about a child witness project that was developed here in London to prepare young children to testify in court. I am also going to be talking about some of the issues we have raised with respect to continued funding in this area, and some of the problems we have encountered.

I would like to begin by talking a little bit about the problem itself. I do not know how familiar all of you are in this area. This is going to be a fairly clinical presentation. There will be very little mention about free trade or budgets. I think it will be a topic that is probably very close to all of you in terms of your children and my own children and other children in the community.

Over the last decade or so, there has been a tenfold increase in the reporting of child sexual abuse by children to agencies, to the police, to children's aid societies, to teachers, as well as to parents. I am sure you are aware,

just by reading the newspapers and being familiar with what goes on in the media, that more and more children are feeling comfortable in coming forward and talking about the abuse they have experienced. In my opinion, it does not represent an increase in the abuse itself. It is just a society that is more tolerant and willing to listen to the accounts given by children about what happens in their personal lives.

In any event, as a result of these increased allegations, agencies are faced with having to deal with it, deal with the families, the children who are traumatized. As well, the criminal justice system has had to deal very quickly with the increase in allegations, so police are being encouraged in all communities to lay charges in cases where children make allegations. Other agencies—social agencies such as our own—are encouraged to try to respond to the treatment needs and the needs children present once they have been abused.

In 1987, there was a federal initiative in the area of sexual abuse. I think that was as a result of a fair amount of lobbying on the part of professionals across the country, who are very much concerned about the lack of treatment facilities for children who have been abused and the difficulties in the criminal justice system for handling sex abuse cases. As a result, a fair amount of money was put aside for use nationally across the country and we were all encouraged, as researchers and clinicians, to apply for money. The money was to be used in the area of research and the development and evaluation of new programs.

The Family Court Clinic in London historically conducts a fair amount of research in the area of family violence and sexual abuse, and the needs of children with respect to treatment. We applied for funding and were successful in terms of the federal response. We received \$360,000 to be spent over a three-year period in a demonstration and evaluation project.

The major goal of the project was to try to come up with a program that would prepare children to testify in court so that they would be more competent child witnesses, providing the court with the information it needed to adjudicate. Also we would attempt to monitor new legislation in this area for dealing with child sexual abuse. We would try to co-ordinate this community's response; that is, co-ordinate all the mandated agencies, such as the police, the children's aid society and the crown attorney's office, to work towards the betterment of how this system would respond to children's needs.

We are very pleased to obtain this federal money. The money was certainly put to use. It was put to use in the development of a very effective court preparation protocol for young children who have to testify in court.

As an aside, I should mention that the research is very definitive, both clinically and in terms of field research, that there is trauma for children who testify in court. First of all, children are traumatized by being sexually abused. We know that many of the children have long-term difficulties which translate into dollars spent in treatment facilities, both inpatient and outpatient. We add further trauma to that when children decide to disclose abuse and the police decide to lay charges on their behalf.

Many children, if any of you have sat in court and watched children testify, may be as young as five years of age. It is a very intimidating, very adult-oriented setting. These children are expected to face the accused person and describe in detail some of the behaviours that have happened and some of the incidents. For many of the children, it is very traumatic. We were concerned about that. Certainly the research supported our concerns that children are made worse by traumatic court situations.

The research also suggests that if you do not deal properly with children at this point, they are going to have long-term difficulties which will translate into many dollars of inpatient treatment and funding towards long-term counselling. So we are not just talking about a short-term event; we are talking about an event that will affect them throughout their childhood and beyond their childhood as they become parents. If they have been sexually abused, their own children will likely suffer as well. We are finding, not only here in Canada but internationally, that children of abused mothers are often abused themselves. It is a very cyclical pattern where the whole role of being a victim is played over and over again across the generations. The project that we developed at the London Family Court Clinic is one of its kind. I think it is really a model for Canada in terms of providing highly sophisticated court preparation for children who have to go and enter the courtroom arena.

In 1988, as you know, Bill C-15 was proclaimed in Parliament. Its new sexual abuse legislation also has some amendments to the Canada Evidence Act. What this has done is made it more possible for children to tell their story in court, which we, of course, are really pleased about. What it has not done is really regulated to this point in time the implementation of the changes in Bill C-15. So although the spirit of the new legislation is very progressive, in the sense that it suggests children be treated differently than they have been in the past in court and their special developmental needs taken into consideration, it has not really had the impact of policing or ensuring or monitoring how different communities actually implement the legislation. You may have some communities where very little is done to make children more comfortable in court, as opposed to other communities where a lot is done.

What I have given to you here is just an executive summary that very briefly describes what we did over the three-year period of time. There is a full evaluation report that is about 200 pages long which I could make available to any of you who have time to read it.

Over the three-year-period, one of the things we learned was that children who present to the courtroom really need a lot of assistance. The crown attorneys were very supportive in our findings, in that they also felt strongly that the children were doing a lot better in court. They were being better witnesses and they were much better oriented to the court procedures. As a result, a lot of the outcomes in terms of what happened in the courtroom, were much more positive. Children were not being destroyed on the stand, were not crying and unable to continue in their testimony, but were fairly strong and competent. As a result, the whole process runs more smoothly.

The other finding we had was that the agencies were willing to be co-ordinated. We developed a local community board made up of police—both city police and the OPP—children's aid societies, crown attorneys and victim-witness individuals. Everybody was working together in this community so that the networking would be much more smooth and there would be integration of services for young children. The result was quite dramatic. The police referred over 98% of the children over a two-and-a-half-year period who had to testify in court. Very few children were missed and as a result services were offered to children which had never been offered before. They were individually prepared for court, not on the facts of the case but on how to present themselves.

Those children who were so distressed as to not be able to testify were given additional treatment in terms of stress reduction therapy, which I will not go into in great detail. Suffice to say, they were able to get on the stand. Almost all of our children were sworn in, so they understood how to give an oath and to testify in court. For the most part they did well. That is not to say none of them were stressed. Certainly some were stressed. But for the most part, there was a great difference, as seen by crown attorneys and police, in the presentation of child witnesses in this area.

The other area I think we were very successful in is dissemination of information, both nationally and internationally. I just came back last night from San Francisco, where I presented a paper on the work we are doing here. We have also submitted some publications. We have had chapters in several books in the area of child witnesses internationally. I can tell you honestly that the work that is being done in the London area really is the cutting edge. We have been invited this summer to a NATO conference to present on our work here in London at the clinic in the area of child witness research.

The federal government provided the money for a three-year-period of time. Two and a half years of that time the money was to be used both in evaluation and clinical services. When the money was ended, when the funding ended for this specific project, we approached the federal government for continued clinical service money. But our understanding on hearing from them was that the money was to be used only for a demonstration and evaluation project, that there had been no commitment—and that is true, right from the start—to provide ongoing clinical service for this community.

There was a lot of distress in this community when the project came to an end, not because of the results—the results were really very positive—but because the community had a sense of what it is like to have a co-ordinated program where children are not shafted, where crown attorneys do spend the time that is necessary to present the cases, where the police do handle the cases sensitively, and where the children are really very competently prepared. I think this community did not want to go back to the status quo that existed prior to funding.

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A great deal of pressure was brought to bear on the provincial government to provide funding to continue what we now knew, based on the evaluation, to be a very

successful project. The lobbying came from individuals from this community, and I think hundreds of letters—if I am not mistaken—went to the Attorney General and Solicitor General and to Community and Social Services here in Ontario to continue funding this project.

A number of interministerial meetings were held where we attended and gave presentations. There was an attempt on my part to have one of the ministries, either the Ministry of the Attorney General or the Ministry of Community and Social Services, take ownership of this project and continue the clinical aspect.

We do not have a great deal of problem obtaining research money. We have another federal research grant to look at the research aspects of child witness and sexual abuse. What we have had difficulty with is getting money to provide ongoing clinical service, and provide a service which we know, and we have evaluated, and it works.

We approached the Attorney General again last year, because this community was referring children we could not see for preparation, and as a result of a lot of lobbying and I think a fair amount of pressure, it provided us with some interim money for a four-month period, during which we tried to re-establish ourselves on a part-time basis to accommodate some of the children coming in.

One of the roles our clinical staff provide is not just preparation of children, but also expert testimony, so I gave a fair amount of expert testimony in court on behalf of children, talking about issues around sexual abuse and also talking about their need for the screen, which is a provision in the new legislation to protect children, and at times just being there and advocating for children to make sure things go the way the law says they should go and children are protected.

We were able to see some children during that four-month period. Naturally, having closed down the project and having to re-establish it and getting the referral patterns back in and everything, it took several months to get under way. We were recently successful in obtaining funding for this fiscal year to provide clinical services for children. Our expectation is to see about 100 children coming through in the next year who have been sexually abused and will need to testify in court.

We are also providing training for crown attorneys, both locally and across the province. Our staff is involved in a fair amount of professional development, and we also work with the police very closely in providing them with training in the area of child sexual abuse and in the area of child witness issues. At the same time, we are continuing to publish and work on papers across the border, as well as within Canada itself.

I think the reason I was asked to come here today was to try and talk a little bit about what we are doing, but also to emphasize that when the federal initiative was over and our funding for the demonstration evaluation grant came to an end, we really did need the provincial government to come in and pick up the pieces in terms of providing what we knew was a really effective and in my view very important program. The children continue to come to the door. What we envision is that there will be increases again. If we can accept the statistics from the children's aid

society about the number of cases of sexual abuse presented to the agency, we know for a fact that the numbers are not going to go down, and this problem is not just going to go away.

It also translates into money, I think, saved in the long term, because of the treatment needs of these children, if you follow them through the system, and I have done that with many cases through the children's aid society. We are talking about children when they reach adolescence. The girls very often become runaways. They get involved in the criminal justice system, not in assault cases but in cases of wilful damage, running away, break and enters and property offences.

The male children who have been sexually abused, we often find, become abusers themselves. Some of the children who were first referred to our project who were male and who were involved in homosexual attacks have recently been charged. We have 25 of our initial 100 who have been charged themselves and involved in the criminal justice system, the boys as assaulters and the girls as victims again and runaways and involved in prostitution.

The problem does not just end with that incident. I think there are costs involved for provincial and federal governments in terms of the long-term needs of these children, so I really feel that when the provincial government agreed to provide funding—it is to the tune of about \$140,000 a year; it is not a great amount of money, but it allows us to see approximately 100 children and provide clinical service and research and training—it is really an investment in the future in this community in children.

These sexually abused children do not represent a great number of all the children in this province, or even in this area, but I would imagine that the estimate of about two out of 10 children is probably conservative. There are probably more than that, so for every 10 children you see in a classroom, there are probably two, maybe even three children who have been abused either familially, that is within their own family or extended family, or by someone in the community they know. Only 13% of the children we see are abused by a stranger. So it is myth that children are necessarily safer within their homes or their extended homes than they are on the street. It is really very frightening what is happening in our society today with respect to children.

As a first step, the acceptance of children's disclosures is very important and providing a climate in our country where children feel free and comfortable to talk about what has happened to them. Beyond that, we have to respond.

The literature shows us that if offenders are not dealt with, and there are no deterrents in our criminal justice system, they go on to have many more victims. In fact, in the United States there is research coming out that the average offender has 200 or 300 victims before being caught, especially the paedophiles.

We are not talking about one or two incidents on the part of one perpetrator and one victim; we are talking about many children in a community being victimized by the same individual. If you have one child who is strong enough and willing enough to come to court and provide testimony, that may well result in a conviction and some time in a rehabilitative centre or in jail or on probation for

an offender and you may well be saving many children that same community from the same fate.

Mr Winninger: There have been many presentations before this committee over the last day and a half or so that I have sat on it, and the thrust of some of these presentations is that in a time of recession you should not be spending any money on new programs, that in fact you should cut back on existing programs. I wonder if you would agree with me, in light of your comment, that by not paying now, we can pay a lot more for the kind of social and special educational and correctional services later, that not paying now is actually a very short-sighted approach, and that to spend money during a recession for social services is not throwing money away.

Dr Sas: I certainly agree with that. I think in particular when you are talking about children who have their whole futures ahead of them, not putting the money now for the treatment needs and not educating the community about the social problem that exists with respect to the sexual abuse of children, for example, is not putting money where you need to, and you are going to pay for it anyway. I know.

A lot of the children who are referred to the clinic in the other areas, such as the young offender area or child welfare area where we do assessments, are children who have been in and out of systems for years and years at a per diem of \$100 a day or more in some of our children's mental health centres where I think the cost to the government is incredibly great. Plus, I know that some of our young mothers were children who were abused themselves and have since gone on the street, become pregnant and have babies of their own, where the children's aid society has to go in and remove them or provide care. The dollars are incredible for each child.

What we offer in our particular little service, which I think can be generalized to other social services for children, is an opportunity to come in and do the right thing at the right time. We are doing a longitudinal study now on the impact of intervening at the right time for children. The results are looking very promising that it makes a difference. So I agree the money is well spent.

Mr B. Ward: Just as a follow-up, perhaps you could expand on this statement as well: This problem would exist in good times and bad times, and by not recognizing that the problem is there, we are putting our heads in the sand and saying there is no problem.

Dr Sas: I think the problem has always existed. I do not think we are seeing an increase in child sexual abuse per se. I think we are seeing an increase in physical abuse of children as a result of the hard times, the present economic times. There is a lot more pressure on families, a lot more family dysfunction as a result. Some of the child abuse areas, such as neglect, deprivation and physical assault, are probably on the increase as a result of the recession. Sexual abuse I think is a different ball game. I think it has existed and will continue to exist at a rate. The reporting is going up, not the actual behaviours.

Regardless of whether there is a recession or not, you have to continue to provide funding for children in these areas. I think it is not a luxury; I think it is a basic.

10

Mrs Sullivan: I want to move away from the specific delivery which is being offered in London to a broader question. One of the things that has been a matter of some consideration over a period of time relates to the integration of service delivery to children, whether it is mental health services, whether it is services offered for protection through children's aid societies, witness programs, family violence and sexual abuse programs, with integration of funding. I understand that most of the funding, for example, for your clinic would come from the federal government with supplements from the province. Is that right?

Dr Sas: No, that is not correct. Forty per cent of our budget is from the provincial Ministry of Community and Social Services. That is block funding towards young offenders research and clinical services. All the rest of our money is fee-for-service and grants that we ourselves generate.

Mrs Sullivan: It is a chargeback.

Dr Sas: Yes. There may be some federal grants in there, such as I described to you, but there certainly is no block funding from the federal government at all for our projects.

Mrs Sullivan: Could you speak then to the question of integration of delivery of services to children. I think it is an important question we have to come to terms with, not only in service delivery but in terms of the funding.

Dr Sas: I think one of the concerns of agencies like my own, if I try to generalize a little bit beyond the child witness project, is that you really do need, in my view, solid block funding from both the federal and the provincial government, and it really has to be shared for agencies that provide clinical services and research for children.

What happens is that you have your clinicians and research people scrambling on a year-to-year basis trying to do the research necessary to document the value of the programs you are providing, as well as provide the ongoing clinical services. We are all suffering, certainly not just the clinic. The clinic is very successful in terms of getting research moneys, but that is unusual.

Most clinical services for children—I mean the majority, maybe 80%—do not have as many psychologists on staff. We have sort of developed in that way, to write for the grants and apply, to be aggressive and go after the various granting agencies for money to provide services. I feel very strongly that there has to be a significant federal contribution.

If I get a little specific and give an analogy, in the area of child witness and child sexual abuse, certainly the federal government responded very positively to concerns across the country and to a lot of lobbying in terms of what child sexual abuse victim needs, and actually provided—I do not remember the amount—a fairly large amount of money to do that research.

Once the research was done over the three-year period and all our different agencies across the country and we showed what was needed, then the clinicians and researchers were in the position of saying that this works, that does not work, this is what needs to be done, and then no one wants to pick up the tab.

My view may be naïve but we found ourselves getting caught up in a struggle between the federal government and the provincial government as to who was going to pay for something that we knew was helping children, and that we really felt needs to be done across the country.

Mrs Cunningham: Thank you for being here today. We have both worked in social services for a long time so I know what you are trying to say today. I guess one of the questions I object to are across-the-board cuts and what would we do without programs and what not. I think the better question would be, would you not rather spend your \$140,000 on front-line support to children than \$59,000 to a chauffeur for the president of TVOntario or doubling political staff in ministry offices?

I want to get that on the record because I have been sitting here now for over a day listening to this ridiculous question that people like myself would like to cut funding to social services. You and I both worked there, and if you and I were running it, I tell you, the front-line workers would be there to support kids, not all the bureaucracy. I am not going to ask you to comment on that, but you and I both know what is happening. I will just say that.

It was the wrong question to ask the wrong presenter today. I am sorry Mr Winninger is not here, but perhaps you could relay my question to his colleagues.

With regard to the front-line work money that is coming, being a representative now in London, along with two of my colleagues—I think I am following up on the question from my colleague behind me—we are hearing about duplication of services in a naïve way, I think. There must be some room for agencies to work together. When one is trying to get funding from three different levels of government, it is very difficult for us in our job to know just which way to move. I wonder if you could give us some advice.

Dr Sas: Certainly. I think there is some duplication in the city, although probably a lot less in this area than in some other communities I am familiar with. There has been a real attempt, in the last eight years or so, for agencies to get together. For example, there is a central intake committee and there is a difficult-to-serve committee that gets together. All the agencies will meet. There is also a child abuse council. I think you will find that in this community there is a real attempt not to have duplication of services.

One of the things that worked well for us, a small model that I think could perhaps be right as a model for other communities as well against the whole issue of providing duplication of services, is setting up local advisory boards and community groups, with representatives from the different agencies, where the actual tasks are parcelled out.

We were very successful in the child witness area. It is very easy to have duplication of services in that area because you have the police interacting with the crown attorney's office, interacting with the children's aid society and local treatment facilities, which all provide a certain part of the piece for the children who have been sexually abused. We have to be very careful about not providing duplication. I do not want to prepare someone who has already been prepared. You do not want the crown attorney doing the police's work and what not. I think by setting up

protocols where each agency has responsibility for a certain aspect of that child's care and there is a case manager, it works much better.

Mrs Sullivan: One adult being in touch with the child.

Dr Sas: The case manager, yes, one person who controls, on agreement, everybody's role. We are talking about individuals now, but you can be talking about agencies, one agency sort of overseeing or monitoring a certain aspect.

The Chair: Thank you for your presentation.

We are about 10 minutes ahead. Maybe what we will do is take a recess for 10 minutes. If it is the committee's wish, if the three parties here wish to extend beyond the time already laid out by the subcommittee, if you want to say one group has 45 minutes and one group has 35 minutes—this is what I am going by, the schedule of the subcommittee.

Mrs Sullivan: I think from time to time it is useful to extend the hearings, particularly if there is a gap because a witness has not shown and there is concurrence from the committee. We could have proceeded, for instance, to have heard the answer from the CAW to the last question. There may have been some interest when there was not a time schedule. I think that to go through the entire schedule and say, "Yes, we'll give this person five more minutes," or whatever—I think it has to be on an ad hoc basis. If there is concurrence, based on a witness not appearing, then surely we can act as mature adults and not simply be cut off.

Mrs Cunningham: Mr Chairman, on that point, I think, in fairness to yourself, you did give us that opportunity and people could see that the witness was not here. We were asked by you if the question could be answered and quite frankly the government member said no. I think from now on we should start using our common sense. Thank you for asking us.

Mr Sutherland: Mr Chairman, if I could just make a comment before Mrs Cunningham leaves the room, I have no—

Mrs Cunningham: As far as leaving the room is concerned, your people get up and leave the room. Every time they ask a question, they then leave. I am leaving too.

Mr Sutherland: Mrs Cunningham, the only reason I said that was you had just made a comment and I thought you might want to hear a response.

Mrs Cunningham: You are not one of the culprits, Mr Sutherland, so you do not have to worry.

Mr Sutherland: That was the only reason I mentioned it.

Mrs Cunningham: You are not one of the culprits.

Mr Sutherland: In response to the comments made, in a situation such as the last presenter, that is fine if there is mutual consent to extend time on questions of basic information. In terms of the previous presenter, however, one of the reasons the time ran out was because members of both parties were not giving an opportunity to answer the question. They were interfering, either with interjections or asking additional questions. If that is going to be the case, Mr Chair, I would advise you then that time should not be extended in those situations. In those ones

where it is just pieces of additional information, such as with the last presenter, then I think you should use your best judgement.

The Chair: As the Chairman here, I have been trying to have the presenter or the questioner wind up having the whole answer completed, but sometimes when the preamble gets too long I have to say it is at the end.

The committee will recess for about 10 minutes.

The committee recessed at 1020.

1031

COMMUNITY HOMES OF SOUTHWESTERN ONTARIO INC

The Chair: We would like to welcome the Community Homes of Southwestern Ontario to our hearings. You will have one half-hour for your presentation. Try to save some time near the end for a question and answer period which will be divided equally among the three parties. Would you identify yourself for the purposes of Hansard.

Ms Coulson: I am Marnie Coulson. I am the manager of Community Homes of Southwestern Ontario. Community Homes is a resource group accredited by the Co-operative Housing Federation of Canada. We provide consulting services to non-profit co-operative housing groups. We serve both the London community and southwestern Ontario. Today, I am going to focus on the issue of housing in London, however, rather than a broader perspective. I probably will not need the full half-hour, or even 20 minutes of it for my presentation, but once I get going, you never know.

The Co-operative Housing Association of Ontario presented a brief, which I believe all the members of the committee received, in Toronto last week. A lot of the more global provincial comments I will leave to that report, as I think they were very clearly outlined in our brief presented at that time. What I want to do this morning is to give you an idea of the state of housing in London and focus it in terms of our own community's needs in the province. Therefore, I want to talk to the budget in terms of housing.

I appreciate the opportunity to speak in front of the committee. Certainly in London we applaud the potential development of 10,000 units in Ontario, presuming that because of the need for affordable housing in our own community, we will be provided some of those affordable housing units. The supply of affordable housing has not kept pace with the demand for assisted housing in London. I am sure some of my co-workers in London have talked to you about the Listening to London study that was put out in 1990 and some of the findings that were indicated there. Although we have found that the co-op sector has provided over 1,500 units in the city, and the non-profit sector has provided almost 2,000 units, we are still finding that the need for affordable housing has not been met.

I have provided the committee with a State of Housing in London fact sheet rather than the whole context of what I was going to say today. I have tried to focus in on and just highlight specific items that relate to our community. Often people think of London as a very wealthy community. I think you have probably heard a lot that counteracts that opinion in the last day and a half. I have indicated our

vacancy rate. Although it is 4% in the community, in our assisted housing, which is our non-profit co-op and London Housing Authority stock, it is 0.5%. There is very little turnover and it is a very low vacancy rate. I have indicated some of the need and demand.

As well as being the manager of Community Homes, I am also on the board of the London Housing Authority and I am also the chairperson of the community housing advisory committee for the city of London, so I have a very general view of the situation of housing in the community.

In terms of London Housing, as I indicated, the waiting list as of the end of July was 1,360 people. I have given you the breakdown of families, seniors and singles. The waiting list in January was 1,146. This represents an increase of 19%. Our housing authority waiting list, as you can see, is rapidly increasing. Community Homes also keeps a waiting list, and I have put that down. There are other non-profit groups in the city that have waiting lists. Our individual co-ops keep waiting lists, but in terms of our own statistics, we are looking at over 500 people who require affordable housing in the community.

In the 1991 municipal housing statement I have quoted before, which actually is in a draft form but our community housing advisory committee reviewed it yesterday, it reports that we still have a need in 1991 and 1992 for another 2,300 or 2,400 assisted housing units in our city to meet the need. Of the people who are in need, 42% are in the deep core category. I have included those figures and the categories for you just for reference. The \$14,000 to \$27,000 indicates one bedroom to four bedrooms, which is where the differential comes from. I have also reflected in the stats from the fact that home ownership for the citizens of London is becoming far out of their reach, as it is in other communities in Ontario. Only 14% of the renters in London, according to the Listening to London survey, can afford to buy a home.

I have touched very briefly on the issue of homelessness. A survey was conducted on March 15 of this year and we are trying to get a handle on how many people are in the streets of London. If you talk to people on our municipal council, I am sure a lot of them think there are not any homeless people in our community, but certainly this evening we found 253 people were in shelters at the time. One of the things we recently set up through the community housing advisory committee is a steering committee to address the issue of homelessness in London. So we too, as other areas of the province, have our problems with people forced to live on the street.

Those are essentially the statistics. The other thing I have not touched on is the needs of the disabled people in our community and Dorothy Nordemann, who is following me from the March of Dimes, will be addressing that issue more specifically, so I have not touched on that issue in my report.

The other thing is that the 10,000 units in the 1991 budget will stimulate the economy in London. Right now, the reality of the issue is that very little private rental housing is being built outside the non-profit sector. I have just come up with some statistics. I have not given them to you, but I thought I would just verbally report them.

Between January and July of this year the assisted housing starts for town houses were 333 units. For the private sector there were no new town house starts. For the apartment sector, assisted housing was 117 and there were 233 private, but 176 of those have just been in July. As you can see, the co-op and non-profit sector is providing most of the units for people who cannot afford home ownership. The 10,000 units promised in the budget will certainly help this community in terms of stimulating our economy and helping the unemployed construction workers in this city. The other statistic I wanted to share with you is that we expect 500 more co-op and non-profit units between now and the end of the year. So I think there really will be a stimulation of the sector.

Essentially this will create between 2,000 and 2,300 new jobs for local people. Also, I think most people on this committee are aware of the social benefits of co-op and non-profit housing, particularly co-op, because that is our main emphasis at Community Homes. Co-op housing represents a unique form of tenure which encourages the creation of community development and personal development. We feel that is a very positive contribution to our community in terms of providing another form of tenure to the citizens of London, and co-ops have also been very much of a leader in the inclusion of housing for special needs in our complexes.

The final point I would like to make is that given the cutbacks we have noticed from the federal level, certainly in the index linked mortgage program, and also in the federal-provincial housing program for co-ops and non-profits, the federal government has withdrawn its support. It now is up to Ontario to bear the responsibility in the area of housing policy and I think they have shown leadership in the consultation paper that was released in June, A Housing Framework For Ontario. Community Homes applauds the government's initiative in this area and I think it demonstrates the ability of this government to co-operate and develop partnerships towards providing affordable housing to the citizens of Ontario.

My comments were strictly towards the housing issues reflected in the provincial budget of the 10,000 non-profit units. I would be glad to answer any questions as to the further impact on the community of London I have not touched on.

1040

Mrs Sullivan: I do not have a lot of questions, but I did want to ask what your maximum unit prices are in London. I should know that but I do not.

Ms Coulson: I should too and I did not bring them. Sorry.

Mrs Sullivan: Generally do you know if your assisted housing is now able to be built below the MUP level, the cost?

Ms Coulson: We have noticed a certain effect on land and construction costs because of the recession, yes.

Mrs Sullivan: So the units coming on stream, the 500 you expect before the end of the year, you expect to have built below the MUPs?

Ms Coulson: We do not relate it necessarily to the MUPs because we have always had problems with the MUPs in this community. We have always felt they were set unrealistically. The issue is that we know we can get competitive prices from the construction trades and that the developers in town are much more readily negotiating the price of land.

Mrs Sullivan: When you say you have had historical problems with the MUPs, have they been set too low for this community?

Ms Coulson: Yes, they have, because we tender most of our projects out. We deal with the contractors in the community and we found that the price of construction has been increasing yearly.

Mrs Sullivan: I also wanted to ask about the 233 private sector apartments coming on stream. What income level or what rental level are they directed at? What market are they serving?

Ms Coulson: That is a good point, and the 4% vacancy rate also indicates that it is mainly high-end income earners that are being built for right now, and the 4% is basically in the high end.

Mrs Sullivan: The vacancy rate is at the high end and the new apartments coming on are also at the high end of the market, so there will probably be an oversupply at the high end of the market and not very much coming on other than the assisted housing?

Ms Coulson: Yes. As I mentioned in my comments, it is not feasible for the private sector at this point to meet the affordable housing need.

Mrs Sullivan: Is any government land being used in the co-op and non-profit areas in the new units coming on stream?

Ms Coulson: There are no government land parcels available in London. Certainly the Co-operative Housing Association of Ontario has been lobbying with the government, the Liberals before and the NDP now, to release government lands for the purpose of affordable housing and certainly Community Homes would support that. At this point, there is no available stock as far as we know in this community. We certainly would be open to it.

Mrs Cunningham: Good to see you again. It is always interesting to see the figures from London because that is not the way we are portrayed in the province, as you can imagine, having people on waiting lists for affordable housing. What is your hope of getting any of the money with regard to the units that have been announced? My particular experience has been with the Homes Now program, and we were not particularly successful. I hope we will be more successful with this announcement.

Ms Coulson: Unfortunately the need has always been articulated more in Toronto and Ottawa. Certainly my role on the board of the Co-operative Housing Association of Ontario is to remind them that there is life outside Toronto and that we also have a housing need. I have done lobbying with one of the MPPs so they really do know the state of housing here. I feel I have been fairly successful in articulating the need in this community, so I feel fairly

positive about what units we will get. Actually we did fairly well under the Homes Now program. The federal-provincial units have been scarce in this community, I think partially because of the drawback from the federal funds.

Mrs Cunningham: We had the housing people here yesterday who are very concerned about the building of private sector housing. With your experience, the private sector housing in London is fairly expensive for the kind of families you are serving. Is that correct?

Ms Coulson: Right.

Mrs Cunningham: Do you see any hope of building private sector housing at the low end of the scale given the land availability in London in the next five years?

Ms Coulson: I am not sure, Dianne, if I know your question. Are you saying, do I think they will provide any housing?

Mrs Cunningham: Will there be any starts, given your experience in working with that industry?

Ms Coulson: Basically they are working with groups like Community Homes to provide that housing. All of our housing stock is developed by most of the home builders that would have been represented. In that sense they are still building our housing. It is just that we are having another form of tenure on the housing. I do not think you are going to have private sector straight rental projects built in the next while. It is just not feasible for them to do. From our point of view, we see that as positive because our focus certainly is control for people over their housing. We feel the way to do that is through co-ops and not-for-profit housing.

Mrs Cunningham: What happens to the people in the London Housing Authority, though? In a co-op we are expecting at least some of their own funds to be involved. Of the waiting list in London Housing right now, about 80% of those people would not be eligible to be part of these kinds of programs. Of the waiting list as it was presented to me two weeks ago, none of these families, or less than 20% of them, could even be involved in any way. Basically that would be the disabled community. What do you do about everybody else? This is a philosophical question, but what do you do? What do you think we should do? You are there.

Ms Coulson: I provided you with a stat sheet also and the London Housing Authority waiting list is increasing rapidly.

Mrs Cunningham: I know.

Ms Coulson: That is for general reasons in that people will not sit on a waiting list for two or three years. Part of the process that is interesting is an initiative undertaken by the Ministry of Housing to look at the potential of housing authority stock in terms of another form of tenure. I really applaud that effort because recently in the media in London there has been a community of London Housing Authority stock where the neighbours have wanted to change the name of their street so that it is reflected on to this community. The time has come for us to stop ghettoizing people.

I would like to see the mix of incomes continue and either change the tenure of the housing authority stock, do

major rehab on some of it if you have seen any of it recently, and also provide opportunities for people to have control over their housing. Although that may not address the waiting list as much, I think we need to provide more affordable housing, and that is why I applaud the 10,000 new units in the budget. We also need to take care of the people in our communities right now on the housing authority to make those communities not housing of last resort, because there are some people in this community who refuse to move into London Housing. They will sit in rental and pay more than 30% of their income towards housing rather than be in one of the housing authority projects.

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Mr Stockwell: I do not see anything wrong with that, quite honestly, but let's carry on.

Ms Coulson: Sorry, with what?

Mr Stockwell: Someone choosing to stay in a unit and pay more than 30%. If that is their choice, that is fine. There are a lot of people I know who pay a hell of a lot more than 30% on their mortgage and choose to do that as well. It seems you are caught in this malaise that most communities are caught in, that if you do not have any government building you have no building. Would that be correct?

Ms Coulson: No, as I say, there is the high-end market.

Mr Stockwell: But I am saying at the affordable level.

Ms Coulson: That would be correct.

Mr Stockwell: When was the last time you had any kind of private sector affordable building?

Ms Coulson: As I say, the private sector works in partnership with us.

Mr Stockwell: No, I am saying private sector operated and private sector owned; no government money.

Ms Coulson: In rental?

Mr Stockwell: Yes.

Ms Coulson: I think there have always been programs for the private sector to provide housing, so there has always been assisted housing in the past through some of the government programs, pure private sector.

Mr Stockwell: Yes, but what I am driving at is private sector owned and operated, built with no government money at the affordable level.

Ms Coulson: I think it would be some years.

Mr Stockwell: Have you noticed since the government has been involved in this that the problem has eased, that the housing crisis has eased?

Ms Coulson: I think the non-profit, co-op sector is providing a lot of affordable housing in this community and starting to meet the need.

Mr Stockwell: If rent controls were not introduced, do you think it could be provided by the private sector?

Ms Coulson: My feeling about rent controls is not something I was addressing today. I think they are doing that next door. Rent controls are just going to happen. I do not think we have any control over the private sector at that point and the rents are just going to go up without controls.

Ms M. Ward: Thank you for your presentation. The statistics you provided us show an increase of 19% in six months, I believe, January to July, on the waiting list.

Ms Coulson: Yes.

Ms M. Ward: My question is, what do you expect in the future? Given that we have been in the recession for over a year, there are probably a lot of people on UI and with the cutbacks on that, with their UI due to run out and possibly being forced on to social assistance, do you expect a further increase in the waiting lists and the demand for assisted housing to continue to increase in the immediate future?

Ms Coulson: Yes, I do, because I feel that when we get calls from people and they ask us how long it is going to be before they will be provided a unit, whether it is a housing authority unit or a non-profit, co-op housing unit and we say it will be two to three years, they normally do not fill in the material to get on the waiting list. I feel homelessness is a problem. There are the invisible people without affordable housing in this community. I think homelessness is going to become an issue and the waiting lists are just going to get longer.

Ms M. Ward: And they possibly do not even reflect the real need. As you say, people knowing there is a two- or three-year wait do not pursue it.

Ms Coulson: That is right. I think the stats I provided, the draft municipal statement—I saw just yesterday the stats are that we need at least 2,500 extra affordable housing units in the community. That is as recent as we can get.

Mr B. Ward: First thing this morning we had a presenter who was advocating a balanced budget. His suggestion to achieve that would be to eliminate all new spending and cut back elsewhere with existing programs. I think that philosophy, in essence, would have eliminated any initiative in affordable housing from the government, whether non-profit or co-op. What do you say to people who have the view that during these tough times we should be eliminating the affordable housing initiatives our government attempted to implement?

Ms Coulson: I think the comments you probably heard from Rev Eagle said it better than anyone could say it, as I heard on media coverage this morning. But without doing some of the spending the NDP government is proposing, it would impact on housing people. I think Mr Stockwell has indicated that lots of people pay 30% of their income. I hardly think it is the low-income earners who pay that. The more they pay on their rent, the higher rent they pay, the less they have for food and the more food banks we have. I think that has really been demonstrated in our province. It has certainly been demonstrated in our city. That kind of thinking is just not appropriate. We are concerned about the people of London.

Mr Stockwell: That is totally out of context, Mr Chair.

The Chair: Wait a minute. Excuse me. Mr Stockwell, the presenter has her—

Mr Stockwell: I have a right to comment, Mr Chairman. That is not what I said. I can give her reams of lists of people—

The Chair: Okay, it is in Hansard.

Mr Stockwell: —who are in that kind of predicament. They are paying more than 30%.

The Chair: Okay, we will carry on.

Mr Winninger: There is a lot of interest right now in revitalizing the downtown core of London, residential infilling and that sort of thing. I understand the maximum unit prices in London are not as high as those in Toronto and it is forcing agencies like your own to look for land outside of the core area, where it might be cheaper or more available. Is that a problem for you? Do you require higher MUPs in order to acquire the land base in downtown London, to develop the core rather than encouraging urban sprawl?

Ms Coulson: I was asked the question about the MUP earlier. Because of the recession, I think the MUP is a little bit better in terms of being able to negotiate land, but land in the core area has always been expensive and that is an issue, recession or no recession. It is valuable land and the developers will hold on to it. Essentially we have had to resort to the extremities of the city. The services are not as available for people in terms of amenities and shopping that some of the other social service agencies may or may not need to tie into. It is an issue for us.

Mrs Sullivan: I am very interested in your comments about changing the tenure relationship to public housing and wonder whether you would like to take some time to put on the record some of your views about the way public housing tenure could change.

Ms Coulson: If you understand that I am coming from a co-op housing initiative, our belief is that the more control people have over their living environments and the more they can make decisions in their lives, the better quality of life they will have. In the housing authority projects, I feel that the lack of control over people's lives, and the kinds of communities that unfortunately have been developed in those housing developments, do not allow people to develop with personal growth or do not foster a lot of community development.

Recently we have seen in London that community people have gone into the communities to assist and do some of the community development. I do not mean to say that people from the church and other organizations working with people and our housing authority are not doing a good job; they are. They certainly have developed a lot of programs and have got a lot of initiatives started in the community. But I think the problem needs some assistance. We need a formalized system and to put more efforts into it and assist the people who are in the community struggling with the people to make quality of life an issue.

Mrs Sullivan: In Halton we have seen the housing authority move quite reluctantly into allowing residents of public housing projects to become responsible and take responsibility in operational decisions in terms of management of the projects and provision of recreational facilities and programs and other social issues that help to define a community. Is that the kind of thing you are talking about, or are you talking about something substantially different in terms of the way the properties are owned or where the tenants themselves have a different kind of stake?

Ms Coulson: Our wish would be to see a co-op style of management, but that is not necessarily what the people who live in the complex may feel. That would be the decision. What I would like to see is that the people who live there have some say about what happens in their communities and the kinds of programs that are available, recreational, educational or environmental. I think people have a lot of good ideas of how they want to see their housing structured, run and maintained and so on. If we go into the communities and work together with the people who live there, listen to what their needs are and work together to meet some of those needs, that is what I am talking about, but I think we need to ask first. As I say, my bias is co-op housing, but that does not mean that is for everyone or that it is what the people who are living in those communities will want.

1100

ONTARIO MARCH OF DIMES

The Chair: The next group is the Ontario March of Dimes. Come forward, please. You will have half an hour for your presentation. Try to save some time at the end for questions and answers equally divided among the three parties. You may begin by identifying yourselves for the purposes of Hansard.

Ms Nordemann: My name is Dorothy Nordemann. I am the Homelink co-ordinator with the Ontario March of Dimes.

Mr Suchak: My name is Jeff Suchak. I am community services manager here for the London region of the March of Dimes.

Ms Nordemann: The Homelink project was initiated in the fall of 1987 to assist persons with disabilities to find accessible, affordable and appropriate housing. This project is funded by the Office for Disability Issues of the Ministry of Citizenship. I think we are one of the few known projects. Not a lot of people know about us, so thank you for letting us speak. The Homelink project started with five offices in 1987 and was expanded in 1989 with an additional five offices in the province. The Homelink offices are linked with community-based organizations such as the Ontario March of Dimes and independent living centres. The money is transferred from the Office for Disability Issues to the host agencies.

The Homelink concept is simple. We are to provide a link between persons with disabilities who are looking for housing and landlords who are looking for renters or tenants. Homelink centres maintain inventories of accessible rental accommodations in the private and non-profit sectors. This information is then made available to persons with disabilities who are seeking housing. There are no hidden fees or costs of any of these services to anyone.

Since the inception of the program, many offices have found themselves doing more than just matching individuals needing housing with landlords. They have found themselves doing advocacy work on disability issues and barrier-free design consultations for architects and other agencies, including non-profit and co-op groups seeking housing allocations. We are involved with groups such as

ccess to permanent housing committees, which are funded by the Ministry of Community and Social Services, national access awareness committees, etc.

With continued involvement in committees and in the community, the Homelink centres have made a significant link for anyone needing information regarding housing and barrier-free design. They themselves have become an integral part of the movement to make the province and this country a more accessible place for people to live.

The Homelink centres across the province are facing some major concerns as the programs become more integral in the community. The co-ordinators see at first hand how inaccessible housing in this province can be. Our lists demonstrate the great demand needed for accessible units. I have provided you with a list from the 10 Homelink centres in the province of all the waiting lists they are currently holding. It ends up being two pages.

I have also included a breakdown of the support service living units needed in those areas. In London, for example, I have 56 people waiting for housing, be they rent-geared-to-income housing or full accessibility with power counters. Out of that, 13 people need support service living units. Included with my list as well are Cheshire Homes of London. They have 57 people waiting on their list for support service living units.

Besides a person needing an accessible unit, a rent-geared-to-income component needs to be in place for some people. The only way we obtain these is through the local housing authorities or through the non-profit, co-op sectors. These again, as Marnie has said previously, can be two to three years in waiting. Support services may also need to be in place. So beyond a person needing a rent-geared-to-income component, he also may need attendant care services to live in the community.

This would give them the opportunity to live like we are. We are considered tabbies, temporarily able-bodied persons. We take this for granted. We can move wherever we want. We can work wherever we want. But if a disabled individual needs housing, he stays here. If their support services are then needed, they are going to have to put up with that in place. They cannot move from city to city and take those services with them.

Last week I did a cost analysis of what it costs per person to keep someone at Cheshire Homes of London, as opposed to keeping someone at Parkwood. There are good reasons why Parkwood has the rehab, and we need those. If someone has just incurred a disability and needs to go through the social service program, there is a good reason why it is \$400 a day. We currently have people in Parkwood in rehab beds, as well as chronic care beds, waiting for housing and all they need is housing. They need some attendant care services, but the costs are so different. Cheshire III here in the city offers the highest amount of attendant care. At \$86 per day for staff their housing subsidy, at most, is \$15 a day. At the end of the year it constitutes \$37,000 a year, whereas if you have someone in a long-term care bed at Parkwood it is \$79,000 a year.

You cannot tell me that this is not economically viable. More people need to live normal lives like we do and if they are stuck in Parkwood or any of the rehab hospitals

and cannot live in an individual apartment like you or me, we are denying them some human rights as well.

I presently am working with an individual who is a former resident of this province, moved here, could not find an accessible unit, and has talked to me and has talked to constituency offices, looking for housing. He was living at someone's place, which was not accessible, was literally bumming up and down the stairs, created a pressure sore, and had been put into a nursing home because he needed care. This individual is in his mid-20s. The care could not be given continually at the nursing home. He was moved to Parkwood. Then he is on the discharge list and I have nowhere to place him. He is now going to have to go to mission services. He is an employable, disabled individual. He has an education, but I do not have the housing stock to give him.

As Marnie said, under the housing authority list, 23 people are waiting for housing who are single and disabled. They have not tracked how many families need housing with a disabled individual in that family. The Homelink offices work hard to make all people aware of the problems facing the disabled population in finding housing, but the choices for disabled individuals to find the accommodation is very limited. The co-ordinators rely on the local housing authorities and the non-profit and co-op sector to provide the accessible units, but the private properties are not required to build any accessible units. Not every disabled individual needs a rent-geared-to-income unit and not every disabled individual wants to be or live under the non-profits and co-ops for whatever reason. Some are unable to do that because they cannot participate.

An alternative solution would be that the private builders be legislated to make a percentage of their properties accessible. This opens up the choice for living anywhere a person would like to and a potential to work with the rent supplement programs. Instead of building more units, you could increase the supplement programs. That could reduce the waiting lists.

The general public is crying about the costs of social assistance programs, "Cut a budget here, cut a budget there." The cost savings to the government could be achieved if disabled individuals were able to get off social assistance. That is fine to say. Employment equity is in place but some real steps need to be taken. There is a large number of educated, employable, disabled individuals in this province and country, but for all types of reasons, they are unable to obtain a job. The first real barrier is building accessibility. Fine if the employer wants to hire somebody, but if the job is on the second floor where there is no ramp and no elevator, how can a disabled individual take that job? Have you ever been forced to work a full day without going to the washroom? Persons with disabilities are faced with this problem constantly, not just because they cannot get through the washroom doors because they are not wide enough, but because the attendant care services are not available.

1110

Yet another barrier: What happens if you get the job, the place is accessible, you have attendant care services, but you cannot get to your place of employment because there are no transportation systems available? These issues, if eliminated, could get persons off social assistance and give

them the opportunity to make their skills and education workable. Again, those are things we take for granted.

The last subject I would like to talk about is education. I have people calling my office wanting to move to London for educational reasons. Again, their problems are that they do not have an accessible unit to live in and they do not have any attendant care services that are transferable to this city. They are then told, "No, you cannot come to this city because if you do not have these things in place you cannot live here." These people can be educated and they are being forced to stay on social assistance because if they cannot get these support services in place, they cannot work.

The last comment I would like to make is in regard to my project as a Homelink co-ordinator. We as Homelink co-ordinators get \$34,000 a year to run our budgets. We are placed in non-profit agencies which already are feeling a very tight squeeze on their budgets. The non-profit agencies are asked for services in kind, but with the donor dollars down our projects are also faltering under their financial restraints. I am starting to not be able to mail things, call people and run an effective office. We have to travel within our city limits as part of our job. If these things are starting to be limited, we cannot assist disabled individuals in advocacy for their rights in housing and education and the like.

Mrs Cunningham: Thank you for appearing. I think the March of Dimes is a spokesperson for a lot of agencies in your brief today. Certainly, as a member, I am very much aware of some of the problems because we have a lot of the clients you are talking about in our office. As well, I am the mother of a disabled person, so I know what challenges are ahead.

I have never asked this question before, but I am aware of the Cheshire Homes in a private sector high-rise just off Oxford Street.

Ms Nordemann: Cherry Hill.

Mrs Cunningham: Yes. I am wondering if you have ever done a cost analysis on the program in there, as opposed to some of the other. Have you ever compared the units in any way?

Ms Nordemann: You have a cost analysis of Cheshire I, II and III.

Mrs Cunningham: Yes. Which one is that?

Mr Suchak: Cheshire II is Cherry Hill.

Ms Nordemann: Cheshire II ends up being the least amount of care. For the people who do not know, there are 19 people with disabilities living in the building. It is 12 storeys and it is integrated. I used to work for Cheshire Homes and that was the building I worked in. We were staffed there 24 hours a day and we would come and go. Tenants in the building really did not know we were there, other than, "Oh, you're the person with a lot of keys." It was an integrated living situation where all the tenants could live as normally as you and I, short of a staff member coming in to look after them.

Mrs Cunningham: The reason I raise it is that it speaks for itself. I did not know the answer to the question. I am not surprised. You talked about legislating the private

sector landlord and everybody knows who the landlord is there and how well he has been recognized by our city. But the way, I am very proud to represent this city. I do think it is a way to go. For my colleagues, it is private sector money. It is a landlord who has made space available. I wish there were more who would do it. It is very much less expensive and the support services in the building are marvellous in the sense that you could be there 24 hours a day. The shopping mall is just below. People do not feel different. I know you are aware of this, Kimble. It is just a perfect way for us to go in Ontario in my view. It is not new. It has been there for a long time.

I worked on the London Housing Authority and I do know the costs and I do think we need a very real balance between private sector and public sector housing when it comes to affordability, but I am very much aware that you are in tremendous need for some more support units. I do not know if we can free things up with private sector landlords, but I just wanted you to know that we are working with three different buildings right now to see if we can free up, on behalf of Cheshire, probably as many as another 20 units before Christmas.

Ms Nordemann: To just quickly address your issue on the private sector, we would love to use the private sector. It does not have accessible apartments. How can I put a person with a disability, who has a 36-inch wide wheelchair, into a bathroom that is 24 inches? I know people are saying, "No, don't use the non-profits, don't use the co-ops." I have to. I cannot support the private sector because it is not supporting the disabled community.

Mrs Cunningham: I had to move my constituency office because I was not happy about people being able to get in, even though they could. My new office is in a new building, and unfortunately in London we have not had any new buildings to the building codes now. I agree with you, but I am talking about the future and the way to go, the renovations that many churches are making and small landlords are making. But you are absolutely right. I know why you cannot go with the private sector. We have a big world ahead of us and I think we have to plan that way down the road and have a vision about it. I want to thank you for coming today and speaking on behalf of so many others who I know will be pleased with your presentation.

Ms M. Ward: Thank you for your presentation. I want to make some comments and a question at the end.

I visited, in the last six months or so, two new housing projects that opened in my riding, mainly for seniors, but they also had apartments for the disabled. I was very impressed with the design of them: wide doorways, kitchens which a wheelchair would go under. Very often there would be a family of two in there, one of them possibly disabled, the other not, or in some cases both of them. Also there are units for young people, one of them for young women living together. I think it is very successful. They are near the plaza and everything.

I know of another location in my riding where a community centre has a wheelchair ramp which cannot be manipulated by motorized wheelchairs. I think your contribution to barrier-free design, is very necessary in that we make sure disabled persons are involved in the design.

Ms Nordemann: The Homelink centres have gone beyond just housing. Most of us now do the consultations or barrier-free design. It sort of lends itself very nicely.

Ms M. Ward: One thing I wanted to ask you about, which is not to do with the Homelink really, but you might comment on it: It is something I was reading in the paper the other day about the employment equity programs and the controversy over the definition of "disabled." Whether or not this newspaper article was correct, it was saying that according to the federal definition, they left the definition of "disabled" to the person, whether or not they defined themselves as being disabled. Someone who was in a wheel-chair might not be termed disabled, whereas someone else might be who was not immobilized in that same way. The definition was whether or not they felt they had disabilities.

Ms Nordemann: I do not know anything about that.

Ms M. Ward: You are not familiar with that. I will pass on to my colleagues.

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Mr Sutherland: I just want to pick up on the question believe Mrs Cunningham and Mrs Sullivan had asked the previous speaker in terms of integration of services. It seems to me that you are offering a very good service. How does your service differ from home care? Have you got a different mandate or do you deal with people home care does not deal with?

Ms Nordemann: Are we talking attendant care services, or are we talking homelink co-ordinator?

Mr Sutherland: I just want to try and figure out what the difference is.

Ms Nordemann: Attendant care services are offered 4 hours a day and/or in an outreach program. I had listed what the difference between outreach and SSLU were. Home care does a lot of meal prep and washing and some baths. Under support service living unit or a 24-hour-care unit, an attendant would be working. We do personal care, from bladder/bowel care to baths, getting them in and out of bed, doing their meals. We do everything that they are not able to do to live independently. So if they are needing catheterizations, we are—

Mr Sutherland: So you are providing more in the need of nursing-type services or in the traditional providing of services in an institution, what would be considered nursing or health care aids.

Ms Nordemann: Yes. It is non-medical versus medical, and it is technically under the non-medical.

Mr Suchak: If I could just comment regarding that, it is the organization Cheshire Homes that provides the attendant services for London and neighbouring counties. However, throughout the province, other organizations such as the March of Dimes provides attendant care services. In southwestern Ontario, the March of Dimes provides similar services to those Cheshire provides in Whatham and Sarnia and in other communities: Hamilton, Toronto, the Niagara region.

Mr Sutherland: If I can just pick up on your staffing, as the majority of your staff gone through the health care aide program? Is that what you have, or do you have nurses?

Ms Nordemann: Under the attendant care, they have a social-worker-type background, but they do not have to go through the health care aide program. I do not have that background. I was trained by Cheshire and taught everything that I needed to know to perform the job. They want to keep it as uninstitutional as possible.

Mr Sutherland: It is just that I have had some of the health care aide people into my office who were a little concerned about their role in long-term care reform. There are not a lot of standards yet nor is it as regulated as they would like to be, and I was just wondering what the link was.

Ms Nordemann: I am a Homelink co-ordinator and I do not do any attendant care any more. I try to house people with disabilities, so I do work very closely with Cheshire and the like, but I understand the needs of the individual looking for housing. So I will ask the question, "Do you need support services?" If you do not need support services, then there is a different route we can go. So those are the links that my office and the other nine offices in this province make.

Mr Christopherson: A really short question. A good friend of mine in Hamilton, Alderman Terry Cooke, is a co-ordinator with the March of Dimes. I just wondered how similar the situation here is in London from what we have in Hamilton.

Ms Nordemann: Very similar.

Mr Suchak: Very similar. I am aware of the fact that they have waiting lists. They are in the process of working with the non-profit sector to develop more housing so that the March of Dimes can attach support services. Right now in Sarnia, our program there, we provide attendant services in 12 apartments that are part of a co-operative. We have a waiting list right now in Sarnia of 15 people who could benefit from support service living units.

Mr Christopherson: I know Terry and his people do a great job. I am sure you do here, too.

Mr Phillips: To understand the numbers you have presented here on the Cheshire Homes, the staff per day and then the housing subsidy, where does the \$15-a-day housing subsidy go?

Ms Nordemann: Through the Ministry of Housing usually under the housing authority. It is under the dollar figure of the Ministry of Housing.

Mr Phillips: And then that money goes to the owner of the building, is that right?

Ms Nordemann: What happens with Cheshire, for Cheshire II, Cheshire has become the landlord. They take all the money and then they pay the actual company that owns the building. Yes, the money is all, at some point, put together in the same hands and given to the owner of the building to supplement. It is under like a rent supplement program.

Mr Phillips: Where does the rest of the rent come from? From the individual?

Ms Nordemann: The individual.

Mr Phillips: So the individual is paying.

Ms Nordemann: Exactly, out of their disability pensions or income or whatever. They pay the rest of it. So this is the highest number you get: \$15 a day is at the top.

There are people who do not use \$15 a day. They are working. They need the attendant care services, but they are fully employed in the community, so they do not need rent geared to income. They pay their own full rent. They are not even taking the \$15 at that point.

Mr Phillips: I am surprised it is that low. The co-op numbers we see are about \$50 a day per unit subsidy. Why would it be that low?

Ms Nordemann: It equates to about \$465 a month under \$15 a day.

Mr Phillips: How would it be possible somebody could operate a building at that?

Ms Nordemann: Yes, Cheshire is into its 12th year here.

Mr Phillips: Some day I will understand this, maybe, but in the budget, as you may or may not have seen, I think for \$10,000 new units of co-op the annual subsidy per unit every year for a long while is \$15,000 per unit, which I think is around \$40 a day. But somehow or other, Cheshire seems to be able to do it at \$15 a day.

Ms Nordemann: Those were quoted to me from Cheshire management last week, so those are up-to-date figures.

Mr Phillips: Something interesting there.

Ms Nordemann: That is where our concern is. There are people who could potentially be in SSLUs, and we could get them out of the hospital settings. I am working with a group to do just that, put another SSLU in place, get them out of the hospital. They are high quadriplegics. They do not want to be in hospital. They are in their mid-20s, and they want out. They want to live in a community all the rest of us take for granted. This seems to be the option to go.

Mr Phillips: I will tell you a quick story. I have coached hockey for eight years with a quadriplegic. He had an accident as a policeman and became a quadriplegic. But he is the type who will go to the ball game on Saturday. He will come and pick me up in his van and away we go. He lives in a home and just thrives and does it, I suspect, very efficiently and is very close to going back to work the minute the resources are there.

Ms Nordemann: Until we eliminate some of the physical barriers that people with disabilities are facing, some of this is not going to work. But we are fighting with building construction all the time, and that is why I work a lot with architects. I look over their drawings and I say: "Guys, this ramp is too steep. This washroom isn't big enough," because then we can make the world better for all. A person with a stroller—mom or dad with a stroller—is a disabled individual. If you have a heart attack or you are on a heart pacer, you have an invisible disability. It is just the wheelchair people see. There is a lot more out there than just that.

Mr Phillips: I know you are right. My father was in a wheelchair, and for a little ramp, he never could get out on to the balcony. It just was a half-inch of ramp.

Ms Nordemann: You break your leg tomorrow and you will find out what it is all about and how difficult it is to get in and out of the building.

Mr Phillips: Yes, I appreciate that. But those numbers are fascinating to me, and some day I will think about it.

Ms Nordemann: Those are per diem rates put out by the ministry.

Mrs Cunningham: Add it up. It is the same, just a little math. If I have a minute, I would like to ask about the pamphlet.

Mr Phillips: Fifteen dollars a day times 365 days is how much?

Mrs Cunningham: Yes, it is \$15,400 a year, taking a 30-day month.

On the pamphlet here, you talk about your work in the Ontario March of Dimes barrier-free design. I was interested in looking at where you talked about building permits. You are saying, really, that we ought to be looking at the American National Standards Institute standards?

Ms Nordemann: That is a little outdated. We should look at the Canadian Standards Association.

Mrs Cunningham: Okay, that is what I was wondering.

Ms Nordemann: I cannot afford to reprint.

Mrs Cunningham: No, and I do not blame you. My question is, you are just making people aware that one has to check the standards.

Ms Nordemann: Yes. Canadian standards came out last year. Those were printed about a year before that, and I cannot afford to print new ones, so we are in a bind.

The Chair: I would like to thank you for appearing before this committee.

Mr Christopherson: Keep working on it, Gerry.

Mr Phillips: This new math really comes hard.

The Chair: I have just been informed that Mayor Downs is on his way back from Toronto. Maybe what we can do is not put a time period on this recess but just hang around to see whether he will come in the next 15 minutes, so this committee will recess until the mayor arrives.

Mr Sutherland: What if he does not arrive until 11:55? Are we going to hear his presentation?

The Chair: I hope he has a presentation we can deal with in five minutes.

Mr Sutherland: Okay.

The Chair: We will still be on the same time frame between 11:30 and 12. Okay, we will recess.

The committee recessed at 1130.

1140

The Chair: It has been agreed by the subcommittee of this committee that Mayor Downs is on his way back from Toronto and is unable to make it here for 11:30 and it is 20 to 12. This committee will resume at 12:40 if the mayor is here and hear him and get on schedule again at 1 o'clock with the regular thing.

Mr Stockwell: What if he is not here?

The Chair: If he is not here at 12:40, then we will wind up resuming at 1 o'clock.

The committee recessed at 1141.

AFTERNOON SITTING

The committee resumed at 1301.

SUSAN SMITH

The Chair: Susan Smith is the next presenter. Welcome to the standing committee on finance and economic affairs on the budget review.

Ms Smith: Welcome to London. My name is Susan Smith. I am a candidate for the board of control in the November municipal election. I want to thank you for the opportunity to express my views on the provincial budget. I will make a special effort to follow government budget deliberations. Such budget deliberations are lucid statements of political will.

I believe this government wants to spend tax revenue differently and smarter than the other provincial governments have been served by in Ontario. The imperative of environmental and social sustainability responds to the statement of political will, not exclusively market-driven, that I was expecting from this government. I am not disappointed.

In order to foster informed public debate about any community's sustainable development, the broadest possible range of environmental, social and economic considerations must be integrated and evaluated in the planning stage of decision-making processes. I applaud this government's initiatives and policy direction on the environmental assessment process, especially as it applies to major road works. It is reasonable to encourage the participation of all residents in the designation of major transportation services.

I am heartened that some Londoners are prepared to pursue a vision of a pristine, if not nearly perfect, environment for our community. The former Minister of Transportation, the Honourable Ed Philip, was prepared to negotiate rail rights of way for public transit in all new highway developments and I hope the new minister, the Honourable Gilles Pouliot, continues this policy, as 20-, 30- and 40-year plans are essential to community planning.

I am a committed and usually enthusiastic consumer of the London public transit system. In your budget, your government's infusion of \$2 million in transfer payments to the London system is at this point a continuation of the previous government's commitment to 75% of the cost of the new bus garage, bus shelters. If the software capabilities of the new electronic fare box is able to satisfy the information needs for a system in transition from a city centre grid to a better, expanded service, it will be money well spent. I do not know if that was included under the "Let's Move" part that was announced in the budget.

I had an opportunity to carry the budget around with me this summer, and when I was in Quebec I shared it with some friends who had one mild criticism that I will echo. Some of the figures on economic recovery are perhaps a little bit optimistic. I feel especially supportive and I am heartened to see in just the 1990-91 expenditures the Mantoulin Island land claim, the \$196 million for the teachers' pension plan, which reduces the unfunded liability section of it, the farm income assistance and the phased-in pay equity for the Ontario public service.

In the Treasurer's budget announcement—God bless Floyd Laughren—he announced, I believe it was, several million dollars for child care infrastructure on our native reserves. Child sexual abuse has staggering costs to the communities and the social fabrics of these communities. I feel it is money very well spent. I know the dollar figure has been criticized and I am very supportive of that money being spent.

Locally, here in London we have benefited from the largesse of the province with \$10 million for a convention centre. As someone who aspires to municipal office, I can guarantee you I would be happy to see that as a capped figure. I will not come back and ask for future funds. When the Minister of Tourism and Recreation, the Honourable Peter North, made the announcement, he was quite clear that this was a set dollar figure, and I think that municipalities can be prepared to bargain in good faith with this government. When the centre is constructed, please feel welcome to use the centre for your respective party conventions.

I appreciate the emphasis on infrastructure and the funding that is expressed in this budget. I will mention the deficit but I will still thank you for what I consider to be your fiscal responsibility. On the deficit, I believe there was an organization yesterday, the chamber of commerce, that criticized the wage protection fund, but that is just one example of how this budget's deficit is directly attributable to federal Conservative policies. Actually it is a very easy example.

Successive Conservative and Liberal federal governments since the late 1940s have certainly had the political tools, if not the political will, to change the corporate bankruptcy act. Any criticism of the wage protection fund is certainly not something you should listen to for very long. I know that in BC it is certainly part of at least one political party's platform and may well be part of any other political party's platform, and the responsibility rests solely with the federal government.

I will also just very briefly comment that I am not at variance with Justice John Sopinka's analysis of the Supreme Court decision regarding the Canada assistance plan and I am certainly not at variance with the syndicated columnist Leonard Shifrin's analysis of how much worse off we could be, but I want to thank the government for the good faith and the good budget.

Mr Sutherland: Thanks a lot for coming today. We appreciate having you here before the committee to talk about the budget and give your views on the budget. It was interesting to hear you had shown it to some friends outside the province. I think we have heard some reactions certainly from political leaders outside the province, their views on the budget, but you had shown it to some people, average citizens I take it, in Quebec who did not think it was that bad a budget. I was wondering if you could just comment a little more on what their reaction was.

Ms Smith: They did have criticism. It was mostly with a couple of the tables on Ontario in the 1980s, on productivity and wages. One individual is a business person, a consulting engineer who builds airports around the world, who is

in an incumbent federal Conservative cabinet minister's riding. Some of the figures were overly glowing, perhaps that Ontario's productivity in terms of labour productivity growth has not been quite as high both in the area of R&D and the public expenditure on labour market training. They just had a pretty straightforward questioning of how accurate those figures were, but no particular disappointment with some good economic housekeeping in Ontario.

Mr Sutherland: I know you are very active in this community. I was wondering if you could just give us some sense for the record in terms of what some of the needs are out there, for the people who have lost their jobs, in terms of skills training. Is London an area that has a well-educated population, so it is developing new skills, or is basic skills training, something of that nature, what an emphasis needs to be on for London or for the community as a whole?

Ms Smith: There are some services in London, but I think what is needed is really a much better structure. I am personally more inclined to say that the money needs to be raised internally. It is good that the high value added jobs in education and health care are what is being preserved in the budget. Frankly, I did not look for the budget to create one job.

Ms M. Ward: Do we still have some time left?

The Chair: No, we do not. I would like to thank you for coming before this committee. I recommend that we recess for five minutes before the next presenter.

The committee recessed at 1308.

1315

SANFORD LEVIN

The Chair: Mr Sanford Levin, please come forward. You have 15 minutes and you can leave some time at the end for questions from the three parties.

Mr Levin: Thank you. I am a high school teacher. I also hold an MBA from the University of Western Ontario. I spent a number of years in the financial services industry before I started teaching.

I would like to start by saying that to have held the line or to have cut spending at the tail end of a recession would not have made economic sense. This government has decided properly to inject a little bit of adrenaline into the economy as it weakly emerges from a very severe recession. Putting money into consumers' pockets by protecting 70,000 jobs makes economic sense. After all, two thirds of the gross national product is generated by consumer spending, provided of course it is money spent inside Canada and/or saved.

There are certainly other bright spots. The \$215 million to help reform the welfare system as recommended in the SARC report will go a long way to alleviating the cycle of poverty and the welfare trap. Anything to help, say, the single mother who wants to go to school or to work but who would lose her child's dental benefits or subsidized day care space if she did makes sense.

Unfortunately, detractors of the budget, those who have done so well over the 1980s, a period of increased federal government spending and lower taxation increases for

corporations and those at higher income levels, have decided that the 1990s are going to be a period in which Ontario must decide between being competitive, the catch all phrase for the 1990s, and being a caring society. I ask you is this really the price those who did not get rich in the 1980s have to pay?

Having said that, I still have some concerns with the budget.

Although I salute the Treasurer's support of our agricultural sector, there is nothing in the budget really to help reserve farm land from developers' bulldozers, a real problem in the London area. Why did this government not announce that it was using some of the \$90 million earmarked for agriculture to either land bank some of this precious resource or to purchase some of it through conservation easements, thus giving farmers needed cash while preserving the land for what it is best suited for, food production, not paving, or as it was said by a Peterborough politician at AMO yesterday, crops, not lots?

I am also disappointed that the government revised its tax on fuel-inefficient cars. This change seems to make the additional \$10 million for the Ministry of Energy's activities aimed at energy efficiency a good intention rather than an effective use of funds.

As is true of all estimates based on projections, I am concerned that the Treasurer was overly optimistic, as most treasurers seem to be, in projections for future growth of both the United States and Ontario economies. I also wonder about the projected expected decline in the Canadian dollar to 84 cents. After all, it is fairly clear that the federal government is committed to a high dollar policy, for whatever reason, be it to satisfy unpublished agreements in the free trade deal or to encourage cross-border travel and shopping which will help integrate our two economies. I am not sure of the reason.

I would suggest the government has had a communication problem in trying to explain this budget. For the provincial Conservatives, it is very easy and effective, albeit overly simplistic, to talk about tax-fighting. After all, people understand the word "tax" at face value. It is easy to do when you have a citizenry that has limited understanding of basic economics. "Lower taxes" is easy to say, but for the government, explaining the benefits of the multiplier effect of deficit spending has caused eyes to glaze over. The federal government knows most people have limited command of economics. This economic illiteracy is one reason why the federal Conservatives did little to explain the technicalities of the free trade agreement during the 1988 campaign. After all, why dissuade those people who were thinking that free trade meant duty-free shopping?

The government is also going to have a hard time here in Ontario trying to explain why the Ontario government has \$1.6 billion less from the federal government, and unfortunately, perhaps even less to come. I know and you know that when the federal government cuts back, it squeezes the province, which in turn squeezes the municipalities, which in turn ask home owners to cough up more. But do not expect the average citizen who does not eat, sleep and breathe transfer payments to understand any of

People seem not to understand that the services we use cost money.

Let me talk about the deficit. The deficit itself is a red herring and a tool that can be used any way you want. Let's not forget that during the election of 1988, the federal conservatives made a point of buying voter support through election promises—excuse me, Mike Wilson called them spending commitments—such as national day care. Suddenly, after the election—and I say suddenly because the deficit was not even an issue in the campaign—these spending commitments became expendable in the interests of deficit reduction.

After a four-year orgy of federal spending without a deep debate about the deficit, it suddenly became big news in 1988. In fact, it was such big news we could not stop hearing about it. We saw commercials about it, a dollar sign rolling across our TV screen. Because we were told enough times it was a problem, it became a problem. As the saying goes, call a swan a duck long enough, someone will swear to hear it quack.

A deficit is a problem because of who holds it. When a parent borrows from a child or vice versa, a deficit is not serious. It stays in the same household. Before 1984, most Canadian debt instruments were held by Canadian citizens and Canadian institutions such as banks. Currently, thanks to the federal government's opening Canada for business, foreign investors own about one third of all provincial and government of Canada bonds and roughly half of all corporate bonds. Therefore, the payments flow out of the country, and it is to whom we owe the money that is a bigger problem than the sheer size of the deficit.

Another argument raised against the deficit is its impact on money markets. The private sector is concerned that it will be squeezed out from capital markets by large government debts. Might I remind you that the 1980s saw enormous increases in government debts, yet it was also a period of time during which record corporate takeovers occurred, most often using borrowed capital.

It is also argued that the budget will discourage investment in Ontario, but the majority of recent investment has simply been takeovers of existing business, and the earnings of these acquired companies are then used to repatriate dividends to foreign parents, not for research and development and continued investment in plant equipment and worker training which would encourage competitiveness. For example, Amoco, when it bought Dome Petroleum a number of years ago, had a total investment of only \$300 million in its first 20 years in Canada. During the same period it repatriated \$2 billion.

One reason for our declining competitiveness is not the deficit but the lack of indigenous Canadian companies involved in the non-resource sector. We need something to replace primary manufacturing and resource extraction as the engine of growth. The problem is that we do not have anything to replace them.

The Treasurer has talked about encouraging productivity growth based on high wage and high value added products and services, but where is the investment in R&D? The budget only calls for \$131 million for Ontario's technology

fund, just \$57 million for a manufacturing recovery program and a mere \$21 million for Innovation Ontario Corp.

In conclusion, the government could have done more to create a healthier future economy. Because the so-called free market is controlled increasingly by oligopolies which operate only in their own best interests—the real “private” in the term “private sector”—which are more often than not contrary to the best interests of the greatest number of people, it is up to government to take a lead in restructuring the economy in the interests of the whole and not just those interest groups led by the Business Council on National Issues.

There is actually a decent starting point for this. It is called *Competing in the New Global Economy*, a report of the Premier's Council under—I hate to say it—the previous provincial government. It is one of the few examples where various groups got together and put together something that made sense and was actionable. What happened to it, Mr Kwinter? It was a good report.

Mr Kwinter: Ask those guys. Why would you say, “I hate to say it?”

Mr Levin: Various reasons.

The Chair: Would you conclude? We will have about two minutes for each party, so Mr Kwinter can make his comments.

Mr Levin: I can stop at this point then.

Ms M. Ward: Thank you for your presentation. On the first page you were talking about the estimates and the projections for the future and expressing the concern that you thought they might be overly optimistic. I guess nobody knows at this point, but I just wanted to comment. A couple of the organizations which appeared before us, such as Informatrica Ltd, and actually the Conference Board of Canada also, which did not appear, but their projections are more optimistic than the Treasurer's. As I say, nobody knows.

What I wanted to ask you about is if you think that there may be action by the federal government to lower interest rates and possibly bring down the dollar, given that we may be coming up to a federal election. Do we have some hope there that they will want to make things look a little better?

Mr Levin: Yes, I would say so. The federal government is quite aware that lower interest rates and an improving economy will help its re-election campaign, quite definitely, so I can see that coming, which in general is going to help Ontario's economy as well.

Mr Phillips: Just a comment and then a question. It is interesting to hold that up, because that was the blueprint. It came out last July. There was an election. You have asked the question of the wrong person. You ask the government. I do not know what your political stripes are; maybe even that is who you might support.

My question to you is this: I do not think we can ignore the debt. Anybody who thinks the federal government has a lot of money is, I think, dreaming. They are broke. They are bankrupt. They have a debt of \$400 billion, and as the Premier here says, we probably have to service half of that debt out of Ontario taxpayers. This provincial government will take the debt to \$80 billion, so in about four years,

Ontario will be servicing debt of probably \$300 billion. Is that sustainable?

Mr Levin: I would suggest that it is. In the size of the economy that we have it is not really that onerous. If you really want to bring in money, certainly the deferred taxations of corporations are already \$30 billion. They could pay off the deficit that the federal government is running in one year. These are tax matters, though, that are federal issues rather than provincial issues. Take a look at the balance sheets of most major corporations under deferred taxation.

Mr Phillips: I have. But I am surprised you would say that. But time will tell.

Mr Levin: Certainly.

Mrs Cunningham: Where do you teach?

Mr Levin: I teach in a high school, and at Fanshawe College.

Mrs Cunningham: Here in London?

Mr Levin: In Elgin county.

Mrs Cunningham: On page 3 you talk about debt and tax-fighting "within the same household." I am the mother of three kids in their 20s, and it took us a long time to pay for our house, my husband and I, and I hope I never have to borrow against it. I might have to. I look at the way I manage my household the same way as I hope that I have the responsibility of contributing to the management of this province, and I do not think it is okay that we have a debt. You as a teacher, I think, should be encouraging kids to stay out of debt. These kids are going into the world of work with an average of, what is it, Kimble, \$10,000?

Mr Sutherland: About \$7,000 to \$8,000.

Mrs Cunningham: With \$7,000 to \$8,000 of debt after they get out of university. Then we are asking them to pay off debts.

I was on a school board in London for 15 years and we never debentured. I was proud to say to my kids that I did not borrow a penny to build a school, because I thought today's group was enjoying the educational benefits and I did not want to penalize them. Maybe I am wrong, but perhaps you could respond, as a teacher.

I am a parent and that is the view that I give my kids. I have encouraged them not to acquire debt, and they have had to give up a lot that their friends have, not to go in debt. I do not know if I am a good teacher or not, but I am saying your message on page 3 does not go far enough. I think it is bad that families go into debt, let alone countries.

Mr Levin: If we did not have deficit spending, if people did not have a mortgage on a house, we would not have any home-buying. If we did not have any home-buying, we would put into critical care a serious part of the economy.

Mrs Cunningham: But that is a planned debt. You take your mortgage for so many years and you have a planned period of time to pay it back. One of the big difficulties, and you have said it yourself, actually—and by the way, I appreciate your presentation today. You have given me some things to think about, so I am glad that you came and made the points you did. One of the things you said about the federal government is that it took five years to figure it out. I think it took them five years to figure it

out because all of a sudden they were in government, just like this group is.

And yes, it is tough. It is really tough. I do not think anybody running in that election last year perceived a \$10 billion or a \$9.3-billion debt. I would say none of my colleagues running in London, from any party, thought we would ever have this kind of debt. I am just saying that the federal government got in and figured it out, and they are not holding the purse strings. The Japanese community has \$53 billion of our debt, and I do not think those interest rates are going to go down, at least for that portion of the debt.

The Chair: Okay, Mrs Cunningham. The time is up.

Mrs Cunningham: Sorry the time is so short. We can do this another time.

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CITY OF LONDON

The Chair: The honourable Mayor Tom Gosnell and Deputy Mayor Jack Burghardt.

Mrs Cunningham: H-E-A-R-T, right, Jack?

Mr Burghardt: You got it.

The Chair: I would like to welcome you here to the standing committee on finance and economic affairs on the budget review. You have one half-hour for your presentation. In that half-hour, try to save some time at the end for a question and answer period, which will be divided equally among the three parties. Identify yourselves for the purposes of Hansard, and you may proceed.

Mr Gosnell: Thank you very much, Mr Chairman, ladies and gentlemen of the Legislature. On behalf of the city of London and Deputy Mayor Jack Burghardt, we appreciate the opportunity to speak regarding the city's perspective on this issue.

This municipality and our civic counterparts across Ontario have taken dramatic steps in the past year to bring in municipal budgets that reflect the pressures being brought to bear on the economy today. Deputy Mayor Burghardt was the chairman of our budget deliberations and I would ask him to say a few words now.

Mr Burghardt: London city council set a pre-budget guideline that the municipal share of the tax levy in 1991 would be 5% or less. In fact, even with escalating welfare costs, the city managed to bring in its budget with a 4.78% increase. It should be pointed out that this was done with some very tough decisions on key services to our citizens. It was also accomplished without incurring long-term debt.

This municipality strongly believes we cannot mortgage our future for short-term solutions. It is our position that municipal ratepayers can no longer shoulder an ever-growing list of responsibilities for provincial programs.

For us to take the present government to task on any specific issue may be of some help, but it would miss the underlying point. While the new government is still young in its duties, we encourage those now in power to carry forth with full consultation. Labour, business, institutions and municipalities should all be invited to present their views. We want to be assured that the input received will be fully analysed and considered. New programs and policies put into place with little or no consideration placed on

the views of those most affected can only result in severe damage and bitterness. In this economic climate, we cannot afford any unnecessary injury.

Mr Gosnell: Make no mistake about it: The businesses of southwestern Ontario are valuable resources, and like most other resources, they can be extracted. Those who would like to take our companies home with them are regular visitors to London. What these modern-day prospectors see and want to take back with them are the type of companies that have helped make Canada one of the preferred nations in the world in which to live.

Bankrupt companies pay no salaries and have no taxes. Companies that move to other jurisdictions pay us no salaries and no taxes, but they continue to sell their services and their products here. They therefore end up taking money out of the province.

The role of southwestern Ontario in fostering the economic wellbeing of the rest of Canada has led to some misconceptions. Although this has historically been a strong area, it is not without its weaknesses. Centres of additionally high job concentrations tend to act as a magnet for those who are seeking work opportunities. Not all of these people are easily absorbed into available job openings. Some indicators regarding this area should be of interest.

In 1990, southwestern Ontario lost 45.1 jobs per 100,000 population. This was a higher loss than experienced in any other part of Ontario. Also in 1990, over one quarter of the job losses in Ontario occurred in southwestern Ontario. Additionally, one quarter of the Ontario plant closures in 1990 occurred in southwestern Ontario. One third of the province's plant closures in January of 1991 occurred in southwestern Ontario, and 49% of Ontario job losses in January 1991 occurred in this region.

These indicators are not just objective, cold statistics. They reflect the enormity of the problem being experienced by thousands of people in this strategic area of the province. Job losses take their toll on the individual social and economic level of the people involved and on those who must try to alleviate the situation. In this regard, the cost to the provincial and municipal treasuries is enormous as welfare costs spiral upwards. These costs must be supported on a diminishing tax base.

London, as the regional centre for southwestern Ontario, is very concerned that this area of Canada and Ontario is becoming so easy to mine. This region has been one of the major economic engines of the province and of the nation. Southwestern Ontario helps to create an Ontario that is able to put far more into Canada than it takes out.

With the vitality that we have been able to build in southwestern Ontario, we have been able to develop a social system that does not often forget those who are in any kind of need. Our health care system is the envy of many. Our cities are among the finest on the continent. People from all areas of the globe seek to make Canada their home. Among these reasons are the personal freedom, quality of life and prosperity that this country offers.

There is no perfect society on earth. Imperfections and injustices will always remain to be addressed by people and their governments. Ontario is no different. There is yet a long agenda of improvements to be made. The passing of

each year brings new items of needed advancement to our attention. The present government continues to develop its program in this regard, and in many ways we support it.

Our support is tempered, however, by a desire to ensure that any advances are being designed to achieve the intended objectives while enhancing the ability of our economy to continue to contribute to the wellbeing of the people of Ontario and Canada. New measures fashioned to bring new levels of social responsibility into being often carry a price tag of significant proportion. Because we live in a world which brings us into closer contact with people, institutions and businesses of those of other nations, we must take great care to make sure that our goals are achieved while enhancing the ability of the contributors to our economy to survive. We must be able to pay our own way.

We recognize that the source of our frustrations with the lack of the competitiveness of southwestern Ontario businesses to compete lies not with any one level of government or with one specific political party. We are pleased in particular with support for the convention centre committed by the federal and provincial governments and with assistance for new investment received from the present provincial government. The province has recently announced the manufacturing recovery program and is also moving towards the facilitation of the development of a southwestern Ontario strategic economic plan. We applaud these efforts. At the same time, we are in a position to list some specific areas of concerns that in our opinion need to be urgently addressed. These all affect our ability to compete in a global marketplace.

We are fully aware that the competition provided by those in other countries has no sensitivity to our values and goals as a society. Indeed, competition will come from wherever companies can optimize their investment to meet their chosen level of quality in the most efficient way. Our challenge is to find ways to meet this competition and come as close as possible to accomplishing the goals and the values of our society at the same time. This is not an easy task, but the benefits to our people and to the world are worth the effort. To institute social and environmental reforms while taking the time to adequately consult with those involved, fully research the possibilities and then select the avenue that leaves us in the strongest possible economic position while accomplishing our goals must be our standard.

We are now aware of the following legislative changes and policy areas which, if handled improperly, could further significantly damage the southwestern Ontario economy.

An artificially high Canadian dollar makes our manufactured goods and services too expensive to export and too expensive to compete with imports. At the same time, a high value dollar makes it easier to acquire and import goods and services. Free trade can only work if the value of the dollar assumes a proper market level. A proper adjustment in this area would work towards solving a number of pressing problems ranging from cross-border shopping to the realization of a more favourable trade balance with the United States, our largest trading partner.

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We know that the size of Ontario and Canada, relative to the population and level of social and environmental

programs we have achieved, requires more money per capita to maintain than many other countries. At the same time, we must find ways of cutting our deficits and more equitably collecting taxes. This is especially true when too many people and businesses still are able to avoid income taxes altogether. The trucking, airline and tourism industries are three that immediately come to mind.

The wage protection fund was implemented April 11, 1991. This fund is designed to pay unpaid wages to workers whose jobs were destroyed by bankruptcies or voluntary shutdown. Officers of a company are directly affected by this legislation and are personally held liable for payments of up to \$5,000 per employee. This must be considered onerous and not in the best long-term interest of workers. Those companies, to avoid legislation, will look elsewhere.

The provincial government is proposing to raise the minimum wage in Ontario to 60% of the average industrial wage. If implemented, this would effectively jump the \$5.40 minimum wage to \$8.50 per hour. This has the potential of causing serious unemployment in the service sector and, more particularly, the retail industry. It also should be noted that Canada's wages are rising faster than those in the United States. This, when combined with the increase in the value of the Canadian dollar, means that in US dollars, Canadian manufacturing wages are at least 10% higher than those in the United States.

In another area, a new provincial discussion paper proposes changes to laws for workers employed in the contract service sector. Work performed by employees of an outside contractor could become the responsibility of the company hiring the outside contractor; again, a negative to investors.

Tax on capital: no longer a tax-deductible item.

Health tax levy, 2% no longer a tax-deductible item.

Unemployment insurance: a longer period of benefits resulting in rate increases to cover the increases in benefits and a requirement for employers to replace females and males on maternity/paternity leaves.

Indexed pensions: more pressure on defined benefit programs, which results in additional costs.

The government has eliminated tax-based leasing, which in the case of our manufacturers drives up the cost of tool purchases approximately 2%. Tax-based leasing is rampant in the United States and provides a further competitive edge to their industries.

Current interest rates: a spread of between 4% and 5% between the United States and Canada increases the costs of borrowing for businesses and consumers alike.

The gas guzzler tax: in its present form, this tax penalizes an Ontario production facility while allowing a competing United States facility and its products to escape taxation.

All of those points create a huge disincentive to expand, to stay and to further invest in Ontario. All of these taxes and programs should scare the hell out of the citizens of Ontario.

Another area of great concern to our municipality is the impending changes on October 1 to welfare assistance to those who are 16 and 17 years old who choose to live independently from their family home. Under the present legislation, an employable person under the age of 18 is

not eligible for assistance unless there are extreme extenuating circumstances.

In the Back on Track report, October 1 has been earmarked as the date for launching substantive changes in this area. Employable persons aged 16 and 17 who are in need and are not living in the family home will be eligible for special financial support. We could not possibly disagree with that more.

To date, the province has not provided specific guidelines, nor how this legislation is to be implemented or interpreted. Specific costs to London are unknown at this date. While the province has earmarked \$1.5 million for province-wide implementation of this legislation, the long-term, direct impact on both levels of government is unknown.

Unabated growth and expansion of welfare assistance cannot continue without all levels of government seriously questioning the viability of some other services or the ability of taxpayers to shoulder a crushing tax load. In a more optimistic vein, if we have the good sense to recognize the problems we face in Ontario and do something about them, we have a great deal to build on.

We have much upon which to build in this area and in the rest of Canada. Our people, our natural resources, our existing industrial plant, our educational institutions, our technology and our quality of life form a firm foundation for the establishment of a strong future. For this to be realized, we need to do a number of things now. We need to encourage high-technology transfer, facilitate increased export trade, encourage more flexibility in the workforce, foster more skills and increased product quality and improve the effectiveness of our educational systems.

Mr Burghardt: In its recent budget, the government of Ontario committed itself to reform of the social assistance program. Since many of the recommendations in the Social Assistance Review Committee's report, *Transitions* were not implemented, the current Minister of Community and Social Services asked her advisory group on new social assistance legislation to fast-track its work and present those recommendations that could be implemented without changing the legislation. Their work was presented, as you know, in the report *Back on Track*. The result of this advisory committee's work was the announcement of approximately 60 of *Back on Track*'s 88 recommendations that are being implemented.

The recession has had a devastating effect on the economy of southwestern Ontario. This is proven by the fact that many of our new welfare clients have never been on assistance before. It is essential, now more than ever, that those in need have access to the system in these very difficult times. The stress of the recession on the municipality, however, is not adequately addressed. We must urge the province to implement substantial changes immediately to cost-sharing formulas.

The new direction will provide positive assistance changes to a number of our clients and the system will ensure that a basic level of income is available to an expanded population in Ontario. Key features of the reforms impacting on our clients include equalizing the benefits to sole-support parents on general welfare with the family benefits rate structure; improving benefits for battered

omen; more information available for clients, keeping in mind the multicultural population; general welfare availability for persons working full-time; increased exemptions for earnings, enabling clients to retain more of their welfare entitlement, and increased rates for single persons.

The minister also announced approximately \$50 million for the creation of 2,000 to 2,500 jobs. Every new job is a scarce and treasured item, and we applaud the direction. However, Ontario municipalities have experienced almost 100,000 new welfare recipients since 1989.

Relief to municipalities has been announced by the province in these new directions. The two key elements of this relief do not really address the recent strain that welfare costs have unexpectedly placed on municipalities. The key elements of relief include a 90% cost-sharing of that portion of our welfare case-load beneficiaries over 3.5% of our population. Although provincial contacts have indicated this may come into effect at midyear, the honourable minister has announced this would be retroactive to January 1 of this year and continue to the summer of next year. London will appreciate some additional subsidy from this. In addition, a second key element is that cases on welfare who are sole-support parents will be financed at 100% provincial. This will likely impact a little over 10% of our case load effective August of this year.

While the above changes are well received by us, there continue to be some major municipal concerns which have not been avoided.

First, on the issue of consultation, we are very disappointed that the input we have given through such mediums as the Provincial-Municipal Social Services Review Committee process has not been acted upon. This is evident from the fact that none of the recommendations in the minister's Back on Track report that dealt with the provincial-municipal cost-sharing arrangements are being implemented in the social reform package.

We are also concerned that the minister's advisory committee did not address many important recommendations in the Social Assistance Review Committee's report, transitions, specifically the recommendation that the senior levels of government should be responsible for the funding of social assistance.

Finally, we are concerned that many of the announced reforms, which have been identified as not entailing any costs to municipalities, will in fact produce significant costs to us in the future. In this light, and in view of our credible increases in the past two years, the announcement regarding relief to municipalities is diluted. In addition, the strain on our municipal staff continues and is not being clearly addressed at the provincial level. We therefore urge the minister to implement the recommendations of the PMSSR report which deal explicitly with the issue of the cost-sharing relationship between the two levels of government in line with the implementation of the announced reforms.

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Mr Gosnell: As a municipal council, we must seriously question the viability of the province assuming the costs and overhead of running a car insurance plan for

drivers of Ontario with no promise of lower rates, the loss of thousands of private sector jobs and the prospect of government assuming the costs of running yet another mammoth department. We have heard from the Premier that the new government-administered plan will create jobs but, once again, it creates more government and more expense to taxpayers. The auto insurance industry is a \$4-billion-a-year business in this province. The estimated cost of taking this business under provincial operation has been estimated in excess of \$3 billion. Surely taxpayers do not need that burden too. As someone who has operated a private family company before becoming mayor, let me assure you that government should not be in the business of running business. Enterprises are best left to the private sector.

In concluding our comments today, let me emphasize that Ontario and its municipalities have grown and prospered because of open communications and a co-operative effort with our provincial counterparts. In times of new challenges, and indeed in times of new opportunities, we cannot afford to centre our efforts on partisan bickering.

We applaud your efforts to meet with various community groups across the province. Your hearings, in combination with ongoing discussions at Queen's Park, will clearly paint a vision of where our province stands today and the direction it should take tomorrow. Ontario has traditionally been a leading force in our nation in virtually every aspect of Canadian life. That role, that vision, must continue for the benefit of us all.

Mr Kwinter: Thank you very much, Mayor Gosnell and Deputy Mayor Burghardt, for your presentation. I thought it was excellent. It was balanced and well researched. You have done a real service to this committee.

One of the things the government has always stated when it talks about the deficit is that if it did nothing, the deficit would be in excess of \$8 billion. I think that is one of the problems, in that the government has really perceived that was the option it had, to do nothing. On the first page you talked about setting a pre-budget guideline of 5% or less in your tax levy. That meant you had to make some very tough decisions on key services to our citizens. Could you share with us some of those decisions and what you had to do to keep it in that line?

Mr Gosnell: When we went to that review, we found that we had some programs that really were not accomplishing what we wanted. It was a good exercise in management. We found that while we could postpone some projects, not indefinitely but certainly for some period of time, it was not causing the strain we thought it would. That is the one argument here from other levels of government, that if we do this, we are just sacrificing something else. In fact, a little bit of fat builds up in all organizations. It needs to be trimmed and that did happen.

We cannot afford to carry an \$88-million-a-year welfare load in the city for very much longer. We are hoping the province can work very aggressively in trying to promote business investment in this province, because in the long term, if you want a program to keep people off welfare, you have to provide jobs and you cannot provide jobs with the disincentives to industry that are now in the province.

Getting back to your question, we could live with our 5% guideline. It was painful in some areas, but I think if we could show municipally the resolve that we can live within our means and be less than inflation, if that example could be felt by the other two senior levels of government, and if we can show an opportunity for new investment in this province, then many of the reasons why we are experiencing the problems we are, the very significant demands on social services, would end with people having employment.

Mr Phillips: I echo what Monte said. It was a very thoughtful presentation. A lot of work went into it.

It is clear to us the budget is not going to change. The government is delighted with it and it is there. All we can do as opposition—this is not partisan bickering—is to try and say, “Listen, we’ve got some real concerns about it in terms of economic activity.” We are quite worried about unemployment, job creation, all of those things, but I think you should assume this is the budget for next year.

Because you have the pulse of the economic activity in this area, let us assume that this is the budget for at least the next year, I suspect for several years. With deficits in the \$7-billion to \$8-billion range and new taxes in the \$5-billion range, what do you feel might be the economic impact in terms of your either attracting industry to London or retaining the industry you have got here?

Mr Gosnell: I think it is going to be death for cities like London and areas like southwestern Ontario. We gave you a number of initiatives that have occurred, not just from this government but the past government, that, when taken in combination, are huge disincentives to doing business in Ontario.

First and foremost, we cannot add to that. We cannot bring in in October the right of 16- and 17-year-olds to leave home and go on welfare. That is going to debilitate the economy of this province and it is going to have impacts far beyond its economy. We cannot continue with an agenda that is going to throw any more hurdles on the existing planned business expansions or opportunities in this province.

Second, we have to get back to the realization that we have to compete internationally. You cannot have an minimum artificial wage that is going to do nothing but create further unemployment. There has to be a realization from the institutions and labour and government that we have to get people back to work, we have to get them off the welfare rolls, we have to make the right type of long-term investments. I applaud the government for some of the decisions it has made in terms of the investment in research and development and education. We have to get people back to work and we have to do it at a wage and at a tax level that will encourage investment. If we do not have that, then the next few years will be very bleak.

Mrs Cunningham: Once again, you make me proud to represent this city. I think you have given us enough specifics, those of us who represent London, that we can go back and I can ask the questions and David and Kimble can work with the ministers. I will say proudly that I like to think of us as being particularly non-partisan as we work on behalf of the citizens of London, but you have been great.

I have three points I would like you to clarify for the committee. First, on page 2 you talk about job losses in southwest Ontario. It is very difficult, as you can imagine for us to make this point at the Legislative Assembly, because we are not perceived as a city or a region that has people on welfare or that loses jobs. When I stand up in the House and say that, there are often uncomplimentary comments coming from the other side of the House. I want you to know that. In this committee so far, job losses have only been attributed by my colleagues and government to free trade. I would like you to speak to that.

Second, I would like to know how many new jobs we have seen as a result of this government's incentive, because it talked about the job creation money that went out. How many has the city of London got? If you would like to speak to the Fanshawe Park issue publicly in my presence for the first time, please do so.

The third one is—my colleague reminds me I have three minutes. So what? Let us show some flexibility. We have our whole city here. We have also listened in this committee to the same old question, and that is that the opposition parties would like to cut out social services as they make better management. I personally would cut out the \$59,000-chauffeur-driven limousine to the president of TVOntario to start with, and a few other political positions. But I would like you to speak to how you answered the question here about 5%. People cannot believe it when I stand up and say that. “You must have cut out all the help to the poor people.” That is what people say to me.

If you would like to respond to those criticisms, often made by some of my colleagues that ought to know better, I would like you to take this opportunity.

1400

Mr Burghardt: First of all, the mayor referred to that in some of his opening remarks where he stated that this area cannot continue to be mined as such. There is no doubt about it, and I have personally experienced it at other levels of government too, that people look to London and southwestern Ontario as a fat-cat city, as having everything going for itself. Sure, we have a lot of things going for us, but we are still affected as much as anyone else on a per capita basis in job losses, in increased welfare costs.

It has been mentioned that our welfare budget alone has doubled. We pay far more for welfare assistance than we do for looking after our roads, sanitary sewers and the like, which municipalities are really mandated to do. There is no question about that.

While we have applauded some of the efforts here in our presentation today, we have not seen the results of any increases in jobs in this area. Far from it; we have seen job losses. Small manufacturing plants in southwestern Ontario have left this area to go across the border or have closed up completely.

Whether that is the result of free trade or just the high cost of doing business in this area, who knows? But we do know one thing: We are being affected by it, and London is affected as much as any other city in the province with cost to municipalities. We can no longer afford it.

Mr Kwinter asked earlier about some of the programs that we had to affect in our budget deliberations. We had to really bring the hammer down on boards and commissions. We had to cut back on recreational and park facilities and this type of thing. We had to cut back on our LTC, the London Transit Commission, various areas like that. Library services were greatly affected and could have been more greatly affected had we not been able to move some figures around, I will grant you that. But on the whole, we have been affected and there is no question about it. London suffers as much as anyone else.

Mr Gosnell: If I can just jump in on one other item that is very much germane to this, the government has suggested it is prepared to see investment in capital and municipal infrastructure and, in our region, we are not seeing that at all. In fact, the Fanshawe Park Road project, almost \$10 million, has not yet received provincial approval. The Minister of the Environment is holding up major road work that is the number one priority in the city. Our second, which is Wonderland, our third, which is Adelaide or Commissioners, our fourth, which is Cheapside, are all waiting for environmental study reports. Millions of dollars are being held back; jobs could be created right now.

Mr Winninger: I will not debate the road-widening issue with you today. It is a very complex matter. I would say this, however. I enjoyed your presentation. I agree with a lot of the submissions you make. It might not surprise you I disagree with some of the others. Maybe you can help me with a problem I have here.

We increased the municipal transfer payments. We announced Back on Track proposals that were free of cost impact to the municipalities so far. We have allotted moneys or pay equity to help municipalities, hospitals and the school system. We have also spent money on roads. We have spent money on hospitals. We have spent on schools, art galleries, universities, what have you. People are coming before the committee and saying we are spending too much already, the deficit is too high. You are coming and saying we have to revise the cost-sharing formula and I cannot imagine you would be coming to us if you were thinking that you bear more of the burden of the cost. You are asking that the province bear more of the burden of the cost, which again will increase our deficit, yet at the same time you are saying this budget is bad for the economy and you have itemized all the reasons why.

As a municipality, you are faced with competing pressures; so are we as a government. I do not see how we can—

Mr Stockwell: Is this a question or a speech?

Mr Winninger: —keep the municipalities afloat, which we have made efforts to do, and at the same time are down the budget.

Mr Gosnell: If I can just answer, I think the one thing that none of us should lose sight of is that we are all taxpayers to either a city or the region we live in and to the province. So if we are talking about a change in moneys to be paid by the province or the city, it is still our money and we are still representing the same people.

What we are saying is that we want that relationship disentangled. We think there has to be much less duplication

of management in government activity, in transportation or social services, and your government has a responsibility to create a climate for investment and a climate for job creation so that demands on the social assistance program go down, not up. You cannot do that by putting more disincentives to businesses and on local governments through taxation, or provincial taxation that will just drive that investment and those opportunities away.

Those are the things we have in common. How we arrange or transfer moneys is something that can be worked out and we are hoping can be done with Mr Cooke's announcement the other day. But the bottom line for all of us in this province is that if we do not have financial reasons for companies to stay in Ontario and expand here, the problem will be much bigger.

Mr Winninger: You have certainly put forward a case, but it still does not solve our immediate problem as to how we deal with the impact of the recession, the loss of jobs, the dislocation—

Mrs Cunningham: You do not give welfare to 16- or 17-year-olds for starters.

Mr Winninger: You are taking my time.

Mrs Cunningham: You do well when I take your time. You are much better when I encourage you.

Mr Winninger: How do we deal immediately with the hungry, the homeless and so on, who are making great demands on your welfare roll? How can we deal with that to lessen the financial burden on you immediately, and still pare down the budget? You really have not answered my question.

Mr Burghardt: We have not had a chance to address it.

As we have said continually throughout our brief, the welfare costs are breaking us. They really are; there is no question about it. We are looking to the provincial government, which institutes programs without consultation with us: example, 16- and 17-year-olds. We are going to stress that and we are going to stress it far more. That is irresponsible; it really is. A youth 16 or 17 years old who cannot, for whatever reason, get along at home can now, if this is implemented, come down to city hall, receive welfare and live wherever, on the street, who knows? That adds to the cost. That adds to our costs.

We would like to see basically in the overall welfare situation that the province fund 100%. Then perhaps we can make some arrangements in our cost-sharing formula that will allow us to look after those things for which we are mandated.

Mr Winninger: You just added more to our costs.

Mr Burghardt: No, we have not.

The Chair: Time has run out. I appreciate your presentation and your time before this committee.

STRATFORD AREA ASSOCIATION FOR COMMUNITY LIVING

The Chair: The next group is the Stratford Area Association for Community Living. You will have one half-hour for your presentation. Try to save some time at the end for questions and answers that I know the committee members here are very anxious to ask you.

Dr Steel: My name is Dr Margaret Steel. I am the executive director of the Stratford Area Association for Community Living. I am sure you will be happy to hear that it is a very short presentation. I do not believe in being too wordy. You say what you have to say and then you stop.

This presentation is made from the point of view of a social service agency serving people with developmental disabilities and also that of a responsible taxpayer. I pay taxes the same as everybody else.

I will not be arguing that taxes should be cut. In my view, we cannot afford to cut taxes since that would necessitate cuts in services. I will not be arguing that social spending should be dramatically increased. This would increase taxes to the point that support for social spending would be eroded.

In my area of expertise, I am concerned with two kinds of social spending. One is the transfer payments received from the provincial government to fund services for people with developmental disabilities. The other is the social assistance received directly by the people in our services. Both have inadequacies.

1410

In terms of transfer payments, as an agency, we find that these are inadequate to serve all the needs that are presented to us. We are able to meet most needs if we budget and spend funds carefully; if we are allowed to be creative and flexible with funding so that quality of service is maintained or is increased at less cost—the main problem with this, of course, is legislation. The changes are under way. The way that acts are written prevents flexibility sometimes, and they are working on that; also, if we were enabled to co-operate with other agencies to reduce overlapping. Most notably, special services for labelled people should in general be discontinued. All citizens should be able to access the same services, which would result in a reduction in overhead costs.

These ways of reducing costs allow the extension of service to more people. However, there are still areas of need that cannot be covered.

Social assistance is inadequate to maintain people with dignity in the high-cost areas of the province. In other areas, the situation is somewhat better. However, social assistance tends to support people in their present situation. There is little systematic assistance for getting into the mainstream. One area in particular that should be addressed is the provision of special employment services for all persons with job barriers. Funding directed to this area would gradually reduce the need for social assistance payments for many recipients.

Since social services are not adequately funded at present, taxes should not be cut. I do not believe it is in the ability of any government to reduce bureaucratic and overhead costs substantially, since bureaucracy is a self-perpetuating system. The belief that this can be done is a pipedream.

I wish to urge three avenues related to budgeting which can increase available funding for social services, at least cost to the taxpayer; first, modest tax increases.

The second is a reorganization of funding priorities. This should be done in terms of four considerations: (1) that the needs of the most vulnerable people in our society

be given the highest priority; (2) that services which will enhance autonomy and independence and reduce dependence on social assistance be given a high priority; (3) that the co-operation among agencies to reduce overlapping be encouraged. As a corollary to this, generic services should be made available to persons with labels so that fewer services directed to special populations are required; (4) that the service planning be done locally rather than from Queen's Park. Communities have a clearer view of what they require and are better able to co-ordinate planning and delivery of services.

Third, I want to urge that the budget be developed with a long-term plan in mind rather than in reaction to consumer and taxpayer groups' aggressive tactics. The government should have a clear view of its priorities for the province and use the budget as part of its general policy.

Ms M. Ward: Thank you for your presentation. I have a question which is really just for information purposes. I am not familiar with the terms. "Persons with labels," is that referring to specific disabilities, like a hearing disability?

Dr Steel: Yes, any kind of disability basically. Also "welfare clients" is a label.

Ms M. Ward: You are saying basically that any service should come basically from a generic pool of services and not be targeted.

Dr Steel: Yes. In the past, for instance, services for people with developmental disabilities had to be received from agencies funded just for that purpose. Of course, when they were in institutions they received all the services there and they were not able to access regular hospitals or doctors or speech therapists or neurologists or psychiatrists and so on. In fact, that is still a problem in some areas. Every time you have a specialized agency for a special group, you incur more cost.

Ms M. Ward: Yes, overlapping of services. What about the income aspect of it, income support?

Dr Steel: You mean in terms of income maintenance?

Ms M. Ward: Yes. There is no problem there then basically?

Dr Steel: What I really want to say in terms of social assistance is that there should be more funds directed to helping people off social assistance, with specialized support programs for employment basically. A lot of people would work if they had the ability to do so. They have often never worked. They do not know how to. They do not know how to apply for a job. They do not know how to keep clean. They do not know how to talk to their co-workers. They do not know how to be on time. They do not know any of these things. But given support—and I know this can be done because we are doing a pilot project in Stratford—they can get off welfare and stay off. This is the best way to reduce the rolls, because any other way is just putting more money down the drain.

Ms M. Ward: There would be different levels of support required there, so you would be starting at a different starting point with some of them.

Dr Steel: Yes. Even if people only had a part-time job, they would not be using as much social assistance.

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Mr Phillips: I found on page 2 your point B a very thoughtful direction for us. In your experience, are you finding that is not the current situation? In other words, in our dealing with governments, is there some evidence that perhaps that has not been the priority in the past?

Dr Steel: I think I see some evidence that there are moves in these directions. I would like to encourage that movement. For instance, in terms of long-term care planning, the co-operation between the Ministry of Health and the Ministry of Community and Social Services is beginning to move in this direction, and I would like to encourage it in a lot of other directions too. If communities can plan for themselves and all the community agencies co-operate, I think we will find that costs will be less and that services will be better, in general.

Mr Phillips: In terms of long-term care, because I am quite interested in that myself, my observation has been that at the previous government had strategies for change in plans—I think you are probably quite familiar with it—I did I am not aware that the new government has really come to grips with its plans.

Dr Steel: The consultation is beginning in the fall.

Mr Phillips: But nothing has happened over the last year.

Dr Steel: They are encouraging committees to be set up in various counties. We have one in our county. It is about the same. It is perhaps maybe four months behind. That is about all the time that was lost, I would say, with the change in government. It is continuing the same kind of strategy.

Mr Phillips: Are you generally supportive of the previous strategies for change?

Dr Steel: I am supportive of the direction in terms of the kind of idea that was being proposed. You cannot tell how it is going to work out. Both in the previous strategy and in the new one the intention, as I see it, is that the communities be able to put in enough input that they can make the plan, or the way they do it, flexible to their community. That is a very good direction to go because each community is different. The kind of plan they would develop with in Metropolitan Toronto would be quite different from the one we have in Perth county, for instance.

Mr Phillips: One thing we are quite worried about with this budget is not the spending side—I mean, it is easy to spend money—it is on the revenue-generation side, the economic activity side. We are frightened that a year from now when we meet with you—and I suspect you will take the opportunity to present your thoughts—the economic activity will not be going on to sustain and support the social services area. I am just wondering, from your experience right now—because the government feels the economy is turning around and starting to pick up, things are starting to happen, and we should not worry about the economic side of it—are you beginning to see an economic turnaround in your community?

Dr Steel: Yes, just beginning.

Mr Phillips: People are now starting to get back to work and that sort of thing.

Dr Steel: Unemployment is beginning to decrease in Perth county. Yes, I would say that there is a turnaround there.

Mr Phillips: So the pressure is beginning to come off there.

Dr Steel: Yes.

Mr Phillips: Your operation?

Dr Steel: Of course, it could partly be because this is the tourist season, but I think we see changes in the kind of jobs we can get for our people too, so things are looking up a bit.

Mr Phillips: Well, that is encouraging. If that is what the government is banking on, we will see in a year, I guess.

Dr Steel: I do not know how it will be in other communities.

Mr Stockwell: I think this is, without a doubt, one of the best submissions we have had or I have seen from pre-budget to post-budget. It is clear, concise; it should be required reading for the government members. You have commented on priorities for social services, etc. This priority list of four that you have I think is excellent. It says everything that should be said and, although I do not know if you are going to get any kind of hearing here because I am not so sure we are the ones who could carry the message back as well as you have presented it to us, I think you should be very proud of yourself. In fact this government should hire you, in my opinion. This is one of the best briefs I have seen.

Dr Steel: Thank you.

The Chair: I would like to thank you for making your presentation to this committee. We are a little bit ahead.

We are going to take a 10-minute recess and be back at 2:30 to hear from the London Unemployment Help Centre.

The committee recessed at 1422.

1430

The Chair: We are resuming the hearings of the standing committee on finance and economic affairs on the budget review.

LONDON UNEMPLOYMENT HELP CENTRE

The Chair: I would like to welcome the London Unemployment Help Centre, Mrs Nancy Brown. You will have a half-hour for your presentation. In that period of half an hour, if you can leave some time at the end for a question and answer period, it will be divided equally among the three parties here. You can start now.

Mrs Brown: My name is Nancy Brown and I am the executive director of the London Unemployment Help Centre. I would like to thank you for the opportunity to speak to this committee and I am also pleased that these public hearings are taking place and that individuals across the province are getting a chance to respond to this budget. However, I am here today representing the clients at our centre and to communicate to you many of the concerns and issues that they face. Therefore although this presentation may be narrow in its focus, I hope it will bring to light

some of the very human elements at stake when budgets are being debated.

I will just give you a little bit of background about the centre. We are a community-based, non-profit organization which provides employment and vocational counselling to unemployed and/or underemployed individuals in the London area. We have a very dedicated board of directors and staff who work extremely hard to maintain our underlying philosophy of providing a friendly, safe, caring environment for people who have been displaced from the workforce. I must say, this has been an extremely challenging task in light of the number of people seeking our services.

The centre was started in 1983 in response to the last recession. Although economic conditions improved greatly in the years following that recession, the number of people coming through our doors has steadily increased. Major increases occurred in 1989 and 1990, and this year we expect a 50% increase in the number of new clients served. Most distressing however is not so much the increase in the number of new clients but rather the type of clients seeking our services and the changing needs of these individuals.

Each week we have orientation sessions where clients are invited to come and hear about the services we offer and to share with us a bit about themselves and about the situations they find themselves in. Approximately 30 new clients attend these sessions and become involved in our programs. Their situations vary but often there are similarities in the circumstances surrounding their unemployment. For example, we generally have several immigrant people, a few new immigrants and a few who have recently been laid off after several years in a factory.

We also see many older workers who are having to make major adjustments in their lives. For many of them, their jobs have disappeared permanently due to plant closure and their skills are no longer relevant in today's market. These are hardworking people who never imagined themselves unemployed and who are totally unprepared for it. The same is true for the growing number of middle management and professional clients who find their jobs have been eliminated as companies tighten up during these tough economic times. We also see several women who are attempting to re-enter the workforce after many years because of financial pressures on their families and the need for that extra income.

For most of these people the loss of their jobs or inability to find another job is humiliating and can often be debilitating. Many of these workers are drained of self-respect and extremely frustrated. Many face innumerable barriers to re-employment while others openly admit in this initial orientation session that they have had so many rejections that they have no confidence left. For example, one middle-aged professional man stated just that and said he needed support and help building his self-esteem. Incidentally he attended several of our programs and eventually found a very good job. However, many of our clients are not so fortunate. They may have language problems and/or literacy issues and in many cases lack marketable skills.

Most of the workers we see who have been displaced from the manufacturing industry have to look at upgrading and/or retraining. In addition, they have no knowledge of

how to look for work in today's market. For example, a résumé was unheard of 20 or 30 years ago in this industry. As well, the harsh reality for most of these workers is that they will not be able to make the kind of money to which they have been accustomed for most of their lives.

The statistics regarding the number of jobs lost in Ontario is staggering, particularly when you look at the manufacturing jobs that have been lost for ever. This combined with the major industrial restructuring, is taking its toll on workers. Without sufficient support and protection these workers would be totally crushed. Over and over again clients tell us that they do not know how they would have coped with their situation without the support they have received at our centre, and we in turn are grateful to the present government for the additional funding we have received to help these workers adjust.

I will just tell you a little bit about the services that we offer. In 1991-92 we have been able to provide many additional programs and services as well as being able to enrich many of our existing services. Our ongoing services and programs which are funded jointly by the Ministry of Labour, the federal government, municipal government, United Way, union and community donations include individual counselling, which is provided on an ongoing basis to all our new and repeat clients; job readiness training, which is a two-week group program focusing on self-esteem and confidence building; resume workshops—we have two of them weekly; job search program, which is a one-week program offered twice a month to assist clients with all aspects of their job search; a job finding club, which is a three-week program where workers over 40 conduct their job search from the centre and are assisted with every aspect of it; career planning workshops where individuals are assisted in exploring new career options and examining their transferable skills; vocational testing, which provides personality, interest and aptitude testing to individuals helping them to choose a new career path, and additional support services, which include a message-taking service and use of equipment and resource materials, and we do have used work boots that clients can come in and claim.

New services we are able to provide this year to the growing number of workers affected by small plant closures in particular include a mobile job search unit which provides a one-week on-site employment adjustment workshop to victims of plant closures; training information and assistance provided to the growing number of workers needing upgrading and/or retraining; an employer bank which assists in the actual placement of our clients; self-employment and small business information and resource which we have available for clients exploring this option; an immigrant counselling program is available to our immigrant clients, and we work one-on-one with these individuals; we have computer training which is available to those clients needing to become computer literate, and finally vocational testing. We have been able to acquire additional resources so that we can serve the growing number of people needing this service. I have attached for your information more detailed information on all our programs and services, as well as a program and service profile.

In summary, I would like to say that the vital service we have provided to London's unemployed is now more comprehensive and able to meet the varied needs of displaced workers. It is no longer enough to assist these people with writing resumes and conducting an effective job search. Displaced workers today are having to make major adjustments in their lives and need assistance in exploring career options, training opportunities and future employment opportunities, and they are having to do this at a time in their lives when they are expected, or when they themselves expected, to be secure and stable. Thus, the need for support has never been greater and we at the centre are pleased with the initiatives of the present government to protect unemployed people and provide them with vital services needed to help them adjust.

As well, since it often takes much longer for many of our clients to adjust and re-enter the workforce, they are often forced on to social assistance. This is indeed a very devastating experience for these people and we welcome the present efforts to encourage lifelong learning to reform the social assistance system and to provide more affordable housing.

I would like to finish today by sharing with you one of the many letters we receive from our clients, and it is this sort of thing that keeps us going through some very tough times. This is written in the client's words.

"I would like to take a minute, as I move forward into a new job, to give credit to the Unemployment Help Centre, and especially the tireless counsellors.

"My unemployment situation was a little different, in that I had been fired. In spite of the fact that it was a wrongful dismissal, finding new employment appeared to have insurmountable obstacles to overcome.

"The black mood I brought to the program slowly evaporated as Karen and Mary Ann put me to work learning new skills and searching out the job market. No time for self doubt or pity. Letters had to be written, calls made and interview skills sharpened. Work, work, work. How good it felt. My moments of panic were dealt with calmly and professionally.

"With the support of the group, Karen, Mary Ann and my newly acquired skills, I faced my first interview. Within a few days of this interview, I accepted the job.

"Each member of the club will leave stronger and with the skills required to give them the edge as they attempt to find employment at a very difficult time.

"My heartfelt thanks to a great community service and the caring, dedicated professionals who work there."

We hear this sort of thing very often from the clients, and I guess what I would like to say, finally, is that any cuts in services to people who have been affected by this recession would be a great concern to those of us working in the business. Thank you.

Mr Sutherland: It is a pleasure to have you here, Nancy. I just want to first compliment your organization here in London. I think the establishment of unemployment help centres during the last recession was a very good move in terms of those people who help bring the resources together in the communities. In many cases, labour councils were actively involved, and the governments

in the past in terms of providing some funding. I was certainly very pleased to be here on behalf of the Minister of Labour to present a cheque to you for additional funding for your organization. I think the skills that you teach people in terms of job search, in terms of résumés, in terms of rebuilding the self-esteem and confidence that many people have lost are extremely important in helping these people get back into the employment sector.

I was just wondering if you could give us a little more sense of where your numbers are right now. You mentioned you have seen major increases in 1989 and 1990. Could you give us some sense as to what you have seen this year in the first six months? Is it starting to slow down, the numbers coming in? What feedback are you getting from the people who have gone through your program in terms of finding employment?

1440

Mrs Brown: Well, maybe I will start with your last questions first. No, it has not started to slow down. We are busier than ever, and I think probably the effects of this recession are going to be felt a long time by the workers who have been displaced. It is not a matter, as I said, of honing their job-searching skills and finding another job. The jobs are simply not there right now, so the ongoing support is critical during these periods or they will not make it through. There is a lot of training, upgrading, that sort of thing, that is involved in helping these workers to adjust, so it is not a quick process any more. It is a very long process.

As far as numbers, in 1990 we saw 1,207 new clients. That does not include the thousands of repeat clients and people coming through our doors on a daily basis. This year I suspect we will be reaching around 2,000 new clients.

Mr Sutherland: So that is what, an 80% increase?

Mrs Brown: I think that is about 65%.

Mrs Brown: I gave a modest estimate here, but we seem to be seeing about 40 to 50 new clients a week right now, and that is very high for us.

Mr Sutherland: You mentioned skills training, upgrading. Can you give us some sense of how many of the people coming in are in need of basic literacy skills? Is it—you mentioned immigrant people—English-as-a-second-language skills, or is it more that they maybe have a grade 12 education but to get out, they need to get into a specific program at one of our colleges or universities? Or have they not really done any true job searches before; they just kind of came out of school and went in?

Mrs Brown: Well, a lot of the people we see, and the majority of them who come from plant closures, are people who had dropped out of school early, so they have to upgrade. Sometimes they only have grade 3 or grade 5. They are lucky if they have a grade 8 level, so they are having to upgrade to about grade 10 so they can get into training programs.

Now, we work in conjunction with the Wheable Centre for Adult Education to offer upgrading in math and English, and then we also offer night classes in English as a second language for the immigrant clients who have been displaced. We also see a lot of people whose skills are just not

marketable any more. That again is very true of the people who have been displaced from the workforce, and sometimes it is not restricted to the manufacturing industry. There are a lot of other areas where people are no longer able to find work.

Mr Sutherland: Do they have to be pushed a great deal to go back to Wheable or things like that, or is there a great willingness?

Mrs Brown: They need encouragement, for sure. They need a lot of support and encouragement. They are frightened to death, because it is one thing to lose your job and go through all that emotional upheaval. It is quite another to start thinking of starting all over. So we cut it into little chunks, one piece at a time. Let's accomplish this and move on from here.

Mrs Sullivan: Can you give me some idea of your total budget for your operations?

Mrs Brown: This year it is just slightly under \$750,000.

Mrs Sullivan: And how much of that do you receive from the ministries of Health, Comsoc and Labour?

Mrs Brown: I am sorry, I do not have those exact figures with me. We have wage subsidies through Comsoc and—

Mrs Sullivan: For your employees?

Mrs Brown: We have two employees who are on a wage subsidy; that is the only funding that we receive through Comsoc. The Ministry of Health is just starting to fund a program, and I have included a brochure in your package. That will start in September and run for nine months. This is the first time we have had funding there.

Mrs Sullivan: Do you know how much you receive from that ministry?

Mrs Brown: From that ministry, it is \$26,000.

Mrs Sullivan: And from Labour?

Mrs Brown: This year 58% of our total budget is funded through the Ministry of Labour. Now, \$200,000 of that funding was a grant to assist victims of small plant closures and that is why we have been able to add all these additional services.

Mrs Sullivan: Okay. When a business in this area is either downsizing or closing, would the company itself come to you to seek assistance in any kind of severance or close-down program, outplacement program, that it would be instituting? Or would they go to private sector operations that provide similar services?

Mrs Brown: That depends. We do not get involved in the severance part of it.

Mrs Sullivan: I am sorry, I should not have said severance.

Mrs Brown: As far as the counselling part of it, some companies come directly to us, or the unions may contact us, or sometimes we hear through the Ministry of Labour.

Mrs Sullivan: How frequently would a company come to you?

Mrs Brown: Since we received this additional funding, we have done one plant closure and that was the Florsheim closure.

Mrs Sullivan: And how many employees were involved with that?

Mrs Brown: Forty-three employees were involved that one. So it is just under the 50 mark.

Mrs Sullivan: One of the things that is of great concern to us is that

the Treasurer, in his budget, is predicting that the unemployment rate indeed will not go down over the next budget year and in fact the youth unemployment rate which are extremely high now, are going to continue to remain at those levels, if not increase. I notice in your brochure that you only serve people who are over 25. Could you tell us why you do not deal with unemployment in any way and how those people are served?

Mrs Brown: We do not deal with youth because there is a Youth Opportunities Unlimited centre here which is mandated to deal with the people under 25. We are in the same building, so it is very convenient. If a younger client comes into our centre, we can refer him right downstairs and vice versa. So basically that is the reason why. We are allowed to go up to about 10% of our case load under 25 and most of that is in advocacy.

Mr Stockwell: Thank you. I guess I want to get a broader picture with respect to funding of your kind of programs rather than dealing with the specifics. You say you started in 1983.

Mrs Brown: Right.

Mr Stockwell: That was just basically after the last recession we went through. You started with, I suppose, a budget of X—I do not know what it was. Were you there in 1983?

Mrs Brown: Neither do I. No.

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Mr Stockwell: My difficulty with the unemployment help centres and so on, speaking specifically about Etobicoke, which is the city I represent, is that it seems to me during those years of prosperous times in the province when the unemployment rate was at a very favourable number, considerably less than it is today, they consistently came back for more and more money, saying "We've got a need to service," etc. I am speaking from a taxation point of view. They were seeking increases year after year, and the economy could not have been better. In fact, I think we were ranked first or second in the world in some cases in this province. Unemployment was low, etc. Now, obviously, the economy has gotten worse. We are in a recession and people such as yourself—and I applaud your efforts, but you come back and say, "Gee, we need more money; there is a terrible recession." When is it expected that there would be some rationalizing of programs and services? Do you foresee this ever taking place, or are we in a circle that it matters not whether it is a good economy, bad economy, lots of unemployment, no unemployment, we are looking at increasing year after year and hitting the taxpayer up year after year?

Mrs Brown: If I can respond to that, the kinds of numbers that we are seeing now are much higher than we could normally see.

Mr Stockwell: Oh, I do not debate that.

Mrs Brown: We may see a 20% or 25% increase each year. As far as the ongoing need for the centre is concerned, it is not something that any of us hope would continue, but the reality is that there is also a restructuring going on in the economy and people are falling through the cracks and someone has to be there to catch them.

Mr Stockwell: I guess the question, though, stands. Although I understand your answer, I do not know if it has to do with the question. Maybe to put it a little more succinctly, say the government is correct and next year we come out of this recession and we are on our way to hangri-La with Bobby Rae and the socialists and unemployment goes down. Would you see yourself having a reduced budget? Would you see yourself coming to the province saying: "Gee, life is great. There are much fewer people unemployed. We are not servicing as many people. Why don't you keep \$200,000 or \$300,000?"

Mrs Brown: The grant that I spoke of, the \$200,000, is for one year and it is not something that I expect to be renewed. Now, if the need is still very strong, if we cannot cope with the numbers, I would hope there would be additional funding so we can help these people, but our understanding at the centre is this is one-year funding.

Mr Stockwell: Okay, so next year you will not get the \$200,000.

Mrs Brown: We do have a base funding. All of the help centres in Ontario have a base funding of \$100,000.

Mr Stockwell: Which increases percentagewise every year.

Mrs Brown: This is the first time it increased, this year. It has not increased in many years.

Mr Stockwell: So what was your increase last year?

Mrs Brown: We did not have an increase last year. We were at \$90,000 for two or three years.

Mr Stockwell: Yes, but you are at \$750,000 now. You went from \$90,000 last year to \$750,000 this year?

Mrs Brown: There was an additional \$230,000 this year from the provincial government, the Ministry of Labour, but we have also received funding this year from the Ontario Trillium Foundation and from a lot of other places.

Mr Stockwell: Government money?

Mrs Brown: Some of it federal. We run a job-finding club.

Mr Stockwell: Rather than simply debating splitting it up, what I am looking at is the total ball, and every year it seems that the total ball goes up percentagewise, whether it is a good year or bad year. The question I am asking very simply is, in recession periods in the private sector, companies rationalize, they downsize, they cutback. Clearly, in the industry you are in, if it is a recession time, you would expand and try and take up the slack that the private sector obviously cutting off. When we get back into good times in the mid 1990s, is there any idea or just any thought of

yours that you would see a reduction in the services that you offer?

Mrs Brown: I would hope so.

Mr Stockwell: Good. Thanks.

REGISTERED NURSES' ASSOCIATION OF ONTARIO

The Chair: Could we have the Registered Nurses' Association of Ontario?

Is Dr Pedersen in the room?

Dr Pedersen: Yes.

The Chair: Okay. We are going to be about five minutes late on your presentation. It seems there was a mistake on the scheduling. The date they had was for today when we had them on yesterday's schedule, so we are trying to fit the nurses' group in.

You could take 10 minutes and make your presentation. I am sorry you were inconvenienced. Identify yourself for the purposes of Hansard, and welcome to the committee.

Ms McKellar: My name is Laurie McKellar and this is Anne Martin. We are both registered nurses and members of the Registered Nurses' Association of Ontario. RNAO is a voluntary professional organization whose mission it is to promote the health and wellbeing of the people of Ontario.

Partnership and wellbeing are two RNAO core values that provide a firm foundation from which RNAO can help create an efficient and effective mode of health care delivery in Ontario. Partnership among nurses, other health care providers and consumers or patients will facilitate collaborative communication and high standards of health care delivery. Wellbeing for the public will be attained not only by care during illness but also through health promotion.

RNAO's vision, mission and values have guided our assessment and evaluation of the NDP's recent provincial budget. I will present RNAO's position on the provincial budget in relation to the following issues: health care reform and pay equity.

RNAO is very cognizant of the deficit and the fact that the government has had to balance funding to various sectors of society. Although fiscal prudence and restraint by government is responsible, essential and necessary, RNAO believes that the health of Ontarians today and in the future can be assured if there is adequate government funding into the health system.

RNAO asserts that adequate housing, nutrition and income, clean air, soil and water and the ability to have control over one's life have more impact on health than does the sickness care system. These factors must be remembered during the development of new health care programs. The impact of these socioeconomic factors on health will no doubt be assessed by the new Premier's Council on Health, Wellbeing and Social Justice.

RNAO's partnership value provides the means by which innovative ideas to promote cost-effective methods of health care delivery can be explored. We must all work together to find the most efficient, cost-effective and compassionate way to deliver optimal health care with the funds available.

Unfortunately, recent amendments to the Canada Health Act by the federal government have resulted in a decrease in transfer payments to the province for health care. This federal cutback undermines and threatens the principles and values inherent in the Canada Health Act; namely, universality, accessibility, portability, comprehensiveness and public administration. The federal government is backing out on its commitment to health care. RNAO recently reaffirmed its commitment to these principles and will support the province's efforts to ensure their survival in the Canada Health Act and provincial legislation.

Reduction in federal transfer payments has increased health care expenditure for Ontario in the budget. RNAO supports the NDP's decision to supply funds to maintain our current health care programs. However, RNAO also strongly supports this government's intent to bring health care expenditures under control and to review, reallocate and redesign health care programs.

Society can no longer just talk about health care reforms; we must act. This government must facilitate the development of a health care program that is fiscally responsible, effective and efficient in meeting the health care needs of Ontarians.

RNAO's position on health care reform is based on rational, compassionate allocation of financial and human resources. RNAO advocates for development of systems with objective criteria to assess, monitor and control costs of acute care; expansion of multidisciplinary community and home support systems; improved utilization of nurses and other health care professionals as the point of entry into the health care system for assessment, care and referral; involvement of nurses, other providers and consumers in decision-making about resource allocation, policy and program development, and elimination of user fees, premiums and fee for service.

The government's recent agreement with the Ontario Medical Association to manage physician fee and utilization issues is an important step in cost control. However, RNAO urges the government to ensure that consumers and other health care providers be equally involved in health care management and in the decision-making process during all health care reforms.

RNAO firmly believes that health policy must be client-centred, taking into account that the socioeconomic determinants of health are fundamental elements and that health care delivery must be effective, cost-effective and accessible.

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Each community needs to determine what social and health services it requires. By assessing its own socioeconomic determinants of health, the community can allocate financial and human resources into the most appropriate areas. Health consumers have to be given the knowledge, resources and opportunities to manage their own health and the community's health. By being involved in the decision-making about health care policies and programs, consumers may feel more personal responsibility to maintain and improve their own health to the best of their ability.

During the process of health care reforms, community-based health care needs to receive more attention than it has in the past. Although acute care and institutional care are

important levels of health care delivery in the health care continuum, community-based health care is also essential to the wellbeing of society.

RNAO has long been an advocate for a health care policy supportive of illness prevention and health promotion. By focusing more on community-based health care, the government will ensure that consumers have the resources, support and education to maintain and to attain their optimal level of health and stay in their homes for as long as possible. This will ultimately decrease admissions in acute care and institutional settings. Therefore more expensive health care interventions will be avoided.

The government's plan to continue with the redirection of long-term care services to a community-based delivery of services will enable people to remain in their homes. Focusing on community-based health care with different levels of care delivery is fiscally responsible, and RNAO supports the government's efforts.

A shift to more community-based care has implications for the nursing profession. There would likely be a shift of nurses from hospitals to community agencies. This would affect human resource planning in each area. Education programs would have to increase the amount and depth of community-based health care courses. The nursing profession must adapt to these health care reforms, not only ensure a more fiscally responsible and effective health care delivery system but also to ensure optimal health of the client and the community.

Pertaining to pay equity, RNAO supports money allocated in the budget to assist transfer agencies to meet this year's costs of operationalizing pay equity for their women workers. We also support this government's initiative to extend pay equity to benefit 420,000 women working in jobs that previously did not qualify for increases under the pay equity law. These initiatives are laudable. However, RNAO believes all women in Ontario have a right to pay equity. Also, non-union women are still using their own personal resources to pursue their rights under the Pay Equity Act. RNAO strongly supports amendments to the Pay Equity Act so that all Ontario women will benefit and non-union women will be provided with the necessary financial resources.

In conclusion, RNAO recommends that fiscal resources be controlled by regional health bodies in the context of community needs assessment and human resource planning. The public, providers and government should collaborate to decide on health care needs and delivery systems. Local services must be co-ordinated so that adequate numbers of practitioners with different levels of educational preparation can provide the appropriate level of care to clients. Health care has to be client-centred and has to have a more community-based focus. RNAO believes that the economic viability of Ontario's current health system depends on health care reforms and major changes in the representation of health professionals on all health care decision-making bodies.

Mental and physical health are vital resources that enable society to function and to survive. Without health, people work less productively or not at all. Not only does this reduce the economic base that supports society, it also increases

economic burden on society. For society, poor health comes like the double-edged sword. We must all collaborate to deliver optimal health care in a fiscally responsible way. Health is not a renewable resource.

The Chair: We will file your report. It is in Hansard, and your comments will be presented before the government.

UNIVERSITY OF WESTERN ONTARIO

The Chair: Dr Pedersen, welcome to the standing committee on finance and economic affairs.

Dr Pedersen: I am here today to speak on behalf of the University of Western Ontario. It is a pleasure to have with me Dr Donald Jameson, who does a whole variety of things for us and does them all well. He works in our office of institutional planning and budget, so in some cases he will be more aware than I of some of the issues in detail.

I have a submission to leave with you. I am not sure whether you want that distributed now or later. I do have a short statement I would like to read and then I would be pleased to try to respond to any questions you might have.

Like every other interest group, the universities come before this committee to argue for a larger share of severely limited funding. The main difference, and quite frankly a major problem for us, is that the interest we represent is the province's and the nation's future, not an immediate and visible social ill with conspicuous sufferers and emotional arguments based on social justice or human compassion. We have seen as recently as last week in Canada's national newspaper a front-page story saying that such people as yourselves, those in government and even within ministries which control our activities, view universities as elitist institutions, arrogant and irresponsible consumers of public wealth and poorly managed bastions of privilege. I want you to know I am here today to tell you that is not the case.

Here in Ontario and earlier in British Columbia I have been a university president for over 12 years. I am the immediate past chairman of the Council of Ontario Universities and will retire this fall as chairman of the Association of Universities and Colleges of Canada.

I believe in education, I work very hard in support of its values and I spend a lot of my time raising public consciousness and whatever money I can for what I consider its essential activities. I do not believe that either the concern or the resources which are directed towards higher education in Ontario are being squandered or misplaced. On the contrary, I feel strongly that in neither area have we as a province invested nearly enough.

The people of Ontario and their elected representatives must come to realize that the economic, social and personal vitality which we all seek for the coming years will depend entirely on our own abilities to extend the frontiers of science and technology and to confront the challenges of environmental, political and cultural change.

The groundwork for a successful future is being laid in the universities today. We at Western and in all Ontario universities feel this responsibility and we accept it, but the resources we have to bring to such a challenge are constantly diminishing. We need the province's and the people's increased support.

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Beginning this year, my university, Western, will be cutting its budget in ways which will severely affect the services we can provide to our faculty, staff and students. Over the course of the next three fiscal years, all operating units of the university will be required to reduce their expenditures by 10%. Within the academic faculties, this will mean larger classes, reduced course selection for students and, in many cases, the phasing out of essay requirements. In areas of support services, the cuts will affect library and computing resources, laboratory facilities, faculty research and many student opportunities for a full and vigorous educational experience at Western.

Our budgetary reduction is an attempt to protect and safeguard the quality of our university as much as is possible, but it certainly shows as well that our financial situation is desperate. We are not wasting public money. We are so pressed to support our essential educational mission that we are being forced essentially to redefine that mission and rescale to fit our resources. As both York University and the University of Toronto have told you, we have all done more, indeed a lot more, with a lot less. While succeeding governments' commitment and support have been essential, and we acknowledge this, we are now at the crisis point where quality may no longer be possible to sustain at a level appropriate to Ontario's vision of the future.

What do I come here to propose? Last December the Council of Ontario Universities put forward a recovery plan for Ontario's universities involving joint participation by government, through increased operating grants, and students, through the staged introduction of a supplementary tuition fee. Implementation of this proposal, which was endorsed by the province's universities and a number of student body groups, would restore support levels to those of slightly over a decade ago.

The recovery plan was a co-operative proposal and is, I still believe, a responsible solution to the financial dilemma Western shares with the province's other universities. It remains my belief that we can restore and advance the quality of secondary education in Ontario only through a partnership of government, students and the universities themselves.

For your part, this means vigorous and active support of increased university funding by the provincial government. In the face of federal recalcitrance regarding transfer payments, Ontario must continue to show the fortitude and sense of purpose to sustain the quality of university education.

For students, the direct beneficiaries of a university experience, there is the need to participate more fully in the cost of their education. Of course, any increase in student fees would be correlated with enhancement of aid provisions, guaranteeing that accessibility would in no way be compromised.

As for the universities, a restoration of appropriate funding would enable them to fulfil their mandated mission. A prolonged period of fiscal restraint has, I believe, pruned institutional operations to below a minimum acceptable level. We have major problems in overcrowding, obsolete—and I really mean obsolete—equipment and deteriorating facilities. All of these must be addressed.

Our universities are effective educational institutions. They should—indeed must—be allowed to develop and extend themselves. In many important ways, the future livelihood of this province depends upon this.

I will conclude by pointing out a few things that universities do in support of the other claims you are likely to have heard by now.

I expect strong representations have been made from the province's health care community for increases, or at least maintenance, in levels of support for hospitals, medical facilities and clinics. You have probably heard from social service agencies which require additional resources to support their work with the poor and the disadvantaged at both the community and provincial levels. You have very likely heard from the groups representing these people themselves.

The province's primary and secondary education systems are a great concern to all of us, and I am sure that both teachers' groups and school boards have made their feelings known to you. I would add my voice to theirs. A recent federal discussion paper noted that about as many young people drop out of high school as graduate from university in Canada, about 100,000 every year. This is clearly unacceptable for a country which sees itself as a leader in the next century.

How are the universities involved? We are the primary producers of the highly trained and educated professionals who provide the essential services in all these areas. University degree and diploma-granting programs in the health sciences, care giving and counselling disciplines provide a core of dedicated people who are knowledgeable in ways of coping with vital areas of immediate human and social need.

The teachers who must kindle the enthusiasm of Canada's young people and stimulate their commitment to knowledge are in our universities today. Our faculties of education are developing this essential national resource now and on a continuing basis.

Finally, as I am sure we all know, technological advancements will shape the texture of life in the next century, as they have changed the way we live today. Almost all the pure research and much applied research and development activity takes place in Canadian universities. Students who are now in the classrooms and laboratories of our faculties of science, engineering and medicine, for example, will determine the quality of economic and social life for coming generations of Canadians.

In every aspect of Canadian life the foundation for our national future is intimately involved with the activities of the universities. Our competitiveness and our productivity, key concepts in government thinking these days, will come directly from a basic commitment to developing the country's human resources.

This obviously means providing the professional levels of training in science and technology which will ensure Canada's partnership in a continuing knowledge revolution. But it also means, and I want to emphasize, developing the habits of mind which produce well-rounded, creative, resourceful and thoughtful citizens. In order to realize these high ideals, we need not only to recognize their importance

but to support their achievement. By investing in universities, we invest directly in the future of Ontario and of Canada.

I want to thank you for this opportunity to speak to you this afternoon and I obviously will be pleased to try to answer any questions you might have. In the material that was given out to you, the words I just presented are included. As well, there are appendices. One talks about some concrete examples of what sorts of cutbacks are actually taking place in one university. The second is a brief outline of the COU recovery plan that was put forward. As well, there is a little brochure which we put together just to give you some idea of what some of the major problems are that are being encountered by the universities in this province.

The first graph is one example. Here we sit in what is reportedly the wealthiest province in Canada. We have managed to rank either 9th or 10th in support of our university system for at least the last 14 years. I for one am absolutely amazed. I am astounded that we are continuing to be prepared to tolerate that.

As a final comment, I will just give you some comparative data. COU just made a comparison of the 10 largest universities in Ontario, those with doctoral programs, with the 11 most populous states in the United States, over half the population of the US. If you just compare public institutions to public institutions, if we were in the US we would get \$4,400 more per student per year. If you put their privates in, we would get \$6,500 more per student per year. Maybe that is not a meaningful number.

Let me give you some percentage comparisons. On a per student basis, if we were in Michigan we would get 57% more per year. If we were in Pennsylvania we would get 74% more per year. If we were in California we would get 115% more per year. Folks, I am telling you, we cannot compete on the basis of the support we are getting now. It is not going to be possible and I do not give a damn how you want to cut it. It is not going to be possible to do that.

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Mrs Cunningham: Some days it is hard to keep asking the same questions. But I think you summed it up very well. The themes of this particular meeting, as we heard from the presenters, have been twofold. On one side, it is a great budget and they support the deficit because that is the way they think we should go, and it really is not that much because we are only spending 13 cents of our dollar on the debt and the feds are spending 37 cents or something. On the other side, we have to balance our budget.

I am certainly being accused in my party of saying we have to cut out services to universities and social services and health care. It is not what I would do. I would start with the chauffeur of the chairman of TVOntario and his \$59,000 position and just start cutting there.

But you have been around a little bit, Dr Pedersen, in your travels around the world and certainly in western Canada and in Ontario. If you had to start doing some prioritizing—I know that is not your job, but you must have seen some things over a very long career, and maybe it is not a fair question—but what kind of advice can you give us?

Dr Pedersen: If I had an answer to that, I would not be doing what I have been doing. I would be running m

n consulting business and undoubtedly doing considerably better than I do currently. It is an extremely difficult question and obviously one that none of us has been able to find very good answers to. I think in the end we are going to have to make some judgements about what levels of service we are going to provide in these various sectors. I do not see any way out of that. The truth of the matter is, each of those areas has the capacity to absorb as many dollars as you are prepared to put into it.

Taking health care as an example, I think there have been some astounding advances made in the quality of service we are able to provide to people. The tough kind of question that eventually people like yourselves are going to have to answer is, you know, how many open-heart patients over age 85 are you going to be able to provide that service to? That is the kind of tough question that someone down the line we are all going to have to agree on.

I am immensely sympathetic with those of you in the political world. Those are really tough areas, and there is nothing tougher than the health sciences. In the final analysis, all of us want to be healthy and all of us want to live longer. That is a fact of life. So politically it is a tough area in which to start trying to make some finite judgements. What I would have to say, Mrs Cunningham, that is the kind of thing we are going to have to do in all areas.

The problem I have with universities and colleges is that it tends not to be a high priority item with most politicians. For one thing, it does not have a lot of political payoff. The results are long-term and not short-term. You know, if the post-secondary system gets a few less dollars this year than it got last year in relative terms, nobody is going to die. You are not going to push a bunch of patients into the hall and say these are cancer patients that are getting treatment and they will not live for six months or whatever. I understand all that. I appreciate the political dimension of it.

My argument, however, is that if we do not provide the quality of educational system—and I include elementary and secondary in that when I talk about it—that will provide us with the human resources that are needed, we are not going to be able to support all those other services. You are not going to have the economy that will allow you to provide high-quality medical services; you are not going to have the economy that will provide the needed help for the unemployed and the poor and all the rest of it. So I guess I am making a pitch that says you are going to have to give much higher priority to the educational system than you are giving at the present time.

I guess we must not do a very good job of convincing people. I come here and obviously have a major vested interest in the case I am trying to make, and that is the way in which I would be perceived. What we have difficulty in getting understood is that the rate of return on investment in human resources is at least as high as it is in any other sector of the economy, if not higher. So many of our other social and economic and indeed political activities are related to our capacity to have the well-educated people that are needed to make that work.

You just have to go take a look at what a country like Japan is doing, or Thailand or Korea or Taiwan or the

European Community. The European Community now allows you as a student to go into an exchange program in your third year in any one of the universities that are members of the council of European rectors. That is almost 400 universities. You will be subsidized to do that. Why are they doing that? Because they know that the future success of the EC is dependent on the quality of people that they are going to have—educated people, people who understand how the whole EC operates, who understand other languages, who understand other cultures.

We are not doing any of those kinds of things in this country. What worries me is that we are getting further and further behind all the time. Those statistics I cited you for the US would have been very different 15 years ago. We would have been very comparable.

Mr Sutherland: Thank you, Dr Pedersen, for being here today. I just wanted to say with regard to the report that came out last week, I have never considered myself to be an elitist person. I do not think Mr Winninger considers himself to be one. I do think the universities, and particularly Western, have made a great stride in the last few years to open up and be innovative in pay equity and employment equity. Western should be commended for that. I think some of those perceptions are certainly dated, just from my time at the university.

I think you have made a very eloquent case for improved funding. We know it started in the late 1970s. I give credit to the previous government for trying to catch up. They made some very good strides, I think, particularly on the capital side. We are finally seeing some new buildings and new resources, but we also know that operating funds are a major problem. It is great to have the new buildings, but if you have not got the staff and the equipment to put in there, it is not going to help.

On your key point, I think we are going to have to put more focus on our economic viability for the future, being truly competitive in an international economy. I was really glad to see that you said not only in the sciences—they are important because we are lacking—but in terms of being well-rounded individuals.

You mentioned in your presentation that you would be expecting 10% cuts in all the academic units for the next three years if you had not received, I believe, a 7% increase this year. Can you give us some indication as to what that decrease would have been on those different units?

Dr Pedersen: How much larger would it have been?

Mr Sutherland: Yes.

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Dr Pedersen: I do not know that number just off the top of my head. But obviously there would have just been that much more that we would have had to eliminate. Part of the difficulty for us, in addition to dealing with just the straight matter of having so much in the way of shortfall, is that the way that typically gets met defeats some of the overall social purposes the current government and society in general are trying to achieve.

You can imagine who is going to be let go when we start reducing our payrolls—and that is almost where all our money is. In a university you have almost 85% tied up

in salaries. So, who starts to go? Part-time lecturers and a whole variety of people who do not have regular tenure-track positions, and last people on, all the rest of it. Who are those? They are typically young women who have not been able to get new positions in universities because the funding has been going down like this for the last 13, 15 years, whatever it is. So you continue to sort of marginalize some of the kinds of things that you are trying to do.

Mr Sutherland: I guess you are saying then there is a direct link in funding to destroying the perception that was presented last week in that report.

Dr Pedersen: Right.

Mrs Sullivan: Thank you very much, Dr Pedersen. I was quite taken, as I am sure was everybody involved in administration at university campuses, with the report done for Dr Smith that talked about élitism or the perception of élitism of universities. I suppose that in thinking about that report one of the things that came to my mind was, what is wrong with being élitist if you are a university? Indeed, if your standards are of academic excellence and if your pursuits are scholarly pursuits of learning and research, what is wrong with being élitist?

The other side of that, however, becomes the question of the perception of the bureaucracy and certainly of politicians as well, which was made clear in that study. The demands being made by the university community—which have been well put this year, it seems to me—involving students and academics, as well as administrators and faculty, have been portrayed simplistically. They appear to be a minimal demand for one year, but indeed become a very long-term and heavy additional demand to the base of the provincial budget. I wonder if you would comment on that kind of a response, which I think people have felt as a result of the universities' presentation.

Dr Pedersen: Let me comment a little bit on the use of the terms "élitist" and "élitism." I do not think it needs a lot of profound thought to recognize that, by definition, the way in which people elect to go to university produces a form of élitism. I have never had a problem with that. Universities are élite organizations. They have always been élite organizations; indeed, as far as I can tell, will always be élite organizations. I do not find anything unusual about that.

What is critical is what is the basis for the élitism. Seventy-five years ago in Canada, the basis for university élitism probably had to do a great deal with your social background. It still does incidentally, but it is much modified today. There was a time when universities were indeed the sanctuaries for the wealthy. They were the ones who probably came from home environments where there was some appreciation for university education. They certainly were coming from a setting where the resources were available in order to go.

I do not have a problem with the use of the term élitism, provided that the criteria one uses are the appropriate ones and that you have a system of financial aid that will not preclude anyone from attending university for reasons of financial inadequacy. That, for me, is the critical part of it.

The question of how you fund universities is perplexing. We have a unique problem in Canada, given the nature of the federalist system. I do not know of any western developed democracy that does not use its educational system as a major vehicle for public policy, but because we have assigned education to the provinces, we continue to have this ongoing debate between the federal government and the provinces as to whether the federal government has any role at all. It is unfortunate that the system is not able to integrate better. West Germany, as it was prior to unification, had a similar system but managed to find a role for the federal government, as opposed to the latter. We have never been able to work that out in this country and I think we lose a lot of opportunities as a result of it.

To go to the funding side, I personally believe—and my own institution has said this and it is not a totally popular point of view, probably will not be totally popular with all members of this committee—that students themselves should be making a larger investment in their own education. If you look at what I said earlier, it is not hard to find justification for that. The rate of return to investment in university education is quite high. It is very high in some areas; in some, it is surprisingly not as high as you would think. For example, in medicine and dentistry it is not as high a rate of return as you would think, assuming that you weigh into the formula the opportunity costs, the income foregone in the time it takes to become one of those professionals.

But overall, in terms of straight lifetime income streams, the rate of return to university education is quite high. All of us who have gone to university have typically benefited from that in one way or another and so I do not personally have a problem with saying that students should contribute more than they contribute at the present time. The big hooker in it is the one I talked about earlier. You have to ensure that you have the means of providing assistance to needy students in order that they are not precluded for financial reasons. That deserves some serious consideration.

ANGLICAN CHURCH OF CANADA, DIOCESE OF HURON

The Chair: The Middlesex Federation of Agriculture is not here as yet, so we are going to move on to the church and society division, the Diocese of Huron of the Anglican Church, Rev Stephen Harnadek, chair. Welcome to the standing committee on finance and economic affairs.

You have one half-hour for your presentation and, if you can, leave some time at the end of your presentation to give the committee an opportunity to ask questions on your presentation, which will be split up equally among the three parties.

Father Harnadek: That is double the time I was told I would have, so that is just great.

The Chair: Let me take a look; maybe I am wrong. They had 4 o'clock. Maybe it is 15 minutes. It is a 15-minute presentation, I am sorry. They did not have anything after that, so I was just guessing.

Father Harnadek: I have the pleasure of addressing you as the divisional co-ordinator of the church and society division of the Anglican Diocese of Huron, centred here in

don. It is a division which consists of committees representing rural concerns, the environment, peace and disarmament, AIDS and refugee concerns, to name but a few. I bring the thoughts, concerns and dreams for the future of one of these committees regarding the recent budget of the Ontario government and the direction in which it intends to indicate we are heading.

The SARC report: "This recession is over," some who do not count the large number of unemployed as their numbers tell us. The number of jobs lost in this recession is estimated to be about double that of the 1981-82 recession. Because the effects of this recession are still with us, we at the church and society division of our diocese have taken an interest in the Social Assistance Review Committee report since it was issued in 1988 and lauded by the government of the day. Although some initial changes were made in 1989, we have been waiting for the changes in the Back on Track report of the advisory group on new social assistance legislation recommends.

Although social assistance costs have doubled in the last two years, we see the adoption of the SARC report as absolutely essential to lessen the effect in this province of the erosion of this country's social safety net which we have been taking place for the last number of years. The good banks that our diocese has helped start, sometimes in other religious communities, in London, Stratford, Cheneau-Waterloo, among others, are now seeing as recipients of aid people who just a few years ago were donors to these institutions. What scares us is the increasing number of children now relying on social assistance. Some reports say that 40% of those who rely on assistance are children. We believe the time has come for the government, with the full support of all the members of the Legislature, to follow through with the adoption of the SARC report and Back on Track report. Now is not the time to cut back or renege on our commitments to the poor, we feel.

We urge all elected representatives to put aside any political animosity that might exist and work together to achieve the goals in these reports. The people this will help are sometimes the people some find easy to forget. Let's remember them. They are not likely to own machines to fax in their concerns to governments. Children only know that they are hungry.

Family violence: It is our concern that in a weak economy stress increases in homes and that violence against women and children may result. These are stressful times for many Ontarians and Canadians in general. Increasing taxation, the goods and services tax, the recession have taken their toll in reality or in people's perceptions caused great upheaval in the homes of many citizens. We are concerned about the potential for increasing violence as our provincial economy works its way out of recession.

We therefore laud this government in its proposal to commit \$12 million for new beds and enhanced services in emergency shelters for the victims of domestic violence.

We have seen some of this violence in our geographic area. As a result our diocese, through the bishop's social fund provides seed money for churches, ecumenical groups and other groups in setting up such shelters, among

other projects. These shelters have been built in many centres but need the continued partnership of government. To expect non-government organizations to do this work increasingly on their own—a fear of nongovernmental organizations if government cutbacks are encouraged—would, we feel, be unfair and unrealistic.

We believe, therefore, that the \$12 million announced in the budget only really begins to answer this need for more emergency shelters. We hope that you will continue to give real priority to the voiceless, frightened people who live with violence in their homes. They sometimes are too scared even to ask for help, or where to find it if they do want to ask.

AIDS: The AIDS committee of our diocese, with its ecumenical and other NGO contacts such as the AIDS committee of London, reports the need for more counselling and support services for persons with AIDS, those who are HIV positive or their friends and family members. There may be some reluctance on the part of government to provide programs of support for AIDS sufferers because of the notion that AIDS is a gay disease. There are members of our society, sadly, who would oppose increased funding for AIDS research and support systems for those with AIDS because of this notion. We hope that all MPPs will do their utmost to help our society see these people with AIDS as in need of the same support as other people with terminal illnesses.

The environment: We live in a society that wants easy solutions to tricky problems. In pain? Take a pill. Depressed? This is my favourite: Go shopping or to a restaurant. We do not deal well with problems but rather tend to look for stopgap solutions instead of painful introspection and the changes that might be required of our lifestyle for a healthy, sustainable life. The same, sadly, seems to be true of the environment. In the election of 1990, we heard much about environmental concerns from the NDP when it was the opposition. This was heartening to many.

There is one concern which I have been asked to raise here today. It regards nuclear energy. Nuclear power has often been proclaimed as a safe, inexpensive source of electricity. Chernobyl, Three Mile Island, not to mention our own Darlington plant, to name but a few, show us some of the risks in nuclear power. We are concerned about the real dangers to those who work in and live near nuclear power plants and the potential dangers to the environment as a whole.

We urge the government to be vigilant in safeguarding the public. We also urge the Legislature to help our society focus on the need for conservation, lifestyle changes and other difficult but possibly safer solutions to lessen our need for more and more energy.

Equity for aboriginal peoples: Justice for our first nations has been a concern of our division and especially the peace and disarmament committee. We congratulate this government in doing more than just talking about just land claims and equity for our aboriginal peoples.

We are concerned about increasing reports that alcoholism, violence towards others and violence towards oneself is higher among the people of our first nations than in society as a whole. It is our belief that these actions may

be reactions against the extreme poverty, unemployment and lack of land control, among other reasons, in these communities. Members of first nations have addressed our annual diocesan synod and said as much. The scenes we saw last summer at Oka, among other communities, seem to indicate the frustration our first nations feel towards a seeming lack of progress in settling their claims and meeting their just needs. We are glad that this government has not forgotten our aboriginal peoples. The fact that some of these people live without adequate sewage systems, housing and electrical power we hope will soon be a fact of the past.

We urge this government to continue to work with other governments and the representative associations of our first nations in wasting no time in reaching just land claims and other claims where these are still outstanding with the first nation communities of this province. Let us no longer assume we know what is best for them. Justice for our first nations peoples must begin with dignity, respect and a recognition of their rights.

Rural communities: Dignity is something which some say is also in short supply in many of the rural communities of our province. I quote a short paragraph from a report by the University of Guelph's sustainable rural communities committee:

"Rural communities are in a crisis. Battered by economic, social and environmental forces, they are living through a decline in their ability to support the strong agricultural, mining, fishing and forestry enterprises which, in turn, support the communities."

Many of the causes of despair that some rural communities feel are beyond this government's control, whether that be the removal of Via Rail service, the closure of rural post offices or the shutdown of some local CBC news services, etc. In spite of this fact, we do appreciate the beginning attempts made by the Legislature to counter some of the effects of these reductions in services.

Many farmers at a recent gathering reported to me that they have been in recession since the last recession of 1981-82. Commodity prices have fallen, a high interest rate policy and high dollar have all contributed to their feelings of neglect in our society.

We have seen people struggling against despair, family violence, marital breakups and even suicide because of the increasingly desperate state of the family farm. Many farms do not generate enough income to provide an adequate living for the people who live on them. Many farm families therefore rely on one or even two off-farm incomes to bring in enough money on which to live. While commodity prices have fallen, prices in our society continue to increase. Bridging that gap is becoming harder and harder.

This is causing a heavier case load for many care givers in our rural communities, which may or may not have the same number of social services as care givers have access to in urban areas. Had recent cutbacks in transfer payments from the federal government been passed along by our provincial government, this increasingly desperate situation would only have deepened, we believe.

Some feel that a Third World situation may develop on the family farm, where the people who grow our food will no longer be able to purchase it back at their local grocery

stores. We ask you to keep this situation before you and be creative in developing policies which might help our provincial farmers.

We also ask you to check the influx of agribusiness which may help to dehumanize many farmers. When some farms are sold to agribusiness to cover high debt loads, these same farmers at times are hired by this business to manage the farm they once owned. This is a sad situation and we ask you all to work to alleviate this suffering.

We are also concerned about the amount of agricultural land being used for non-agricultural purposes. We were pleased to hear the government put on hold a proposal to build an arena on prime agricultural land outside Ottawa for a professional hockey team. This policy of preserving agricultural land must be a consistent one across our province so that prime agricultural land stays in food production.

Development work overseas: Each year the people of our diocese raise hundreds of thousands of dollars for development work overseas under the work of the Huron hunger fund of this division, which is associated with the primates' world relief and development fund of the Anglican Church of Canada. The target for 1991 is \$466,000, one which I trust will be reached. We ask that the government and opposition parties look into the possibility of matching grants for moneys that the people of this province raise for overseas development work, as have the provinces of British Columbia, Alberta, Manitoba and Saskatchewan for their citizens in the past, the latter two even being have-not provinces.

In conclusion, we are a division of the church which takes up the call of the needy in our society. Although we live in one of the wealthiest parts of the wealthiest province of Canada, those who are poor, who live with violence, disease, injustice, pollution-related concerns, stress, etc., are still needy. To fight the deficit by cutting back on the services and support systems for these people, who may be the least likely to cope with such cutbacks, would be immoral, we believe.

No one likes to see a deficit increase, which will have to be paid back one day, but the alternatives of reducing and cutting back services and support systems, especially in a recession, would only make a bad situation worse.

On behalf of the church and society division of the Diocese of Huron, I thank you for taking the time to listen to the concerns of the people of this great and progressive province.

1550

The Chair: We have enough time for one short question from each party.

Mr Sutherland: Thank you, Mr Harnadek, for your presentation. I think it is very thoughtful and deals with a lot of issues. I particularly like your conclusion in terms that cutbacks at this time are not going to get us into the recovery and in terms of dealing with the real impact of the recession on people.

As much as I support all your comments about rural communities, I think it is important regarding the Ottawa proposal just to imply that the government formally has not put it on hold. What has occurred is that the Ministry

Agriculture and Food is commenting as a normal procedure on the proposal for development before the Ontario Municipal Board.

Father Harnadek: But it is investigating it.

Mr Sutherland: It is making comment to ensure that interests of agricultural land are looked after.

I guess I wanted to get maybe a little more personal viewpoint from you. Reading here, you are from Listowel.

Father Harnadek: I live in Listowel.

Mr Sutherland: I was just wondering if you can give some sense of the impact, of what Listowel is going through. Right now, what is the impact on the people in your congregation and within your community?

Father Harnadek: In my community, the recession has been devastating. Our major employers have closed down. Some have moved to the United States because of the free trade agreement. Some have simply closed down. I'm thinking of a furniture factory that closed down, simply went out of business, and other places that have moved down to the United States because of the free trade agreement. They represented two of the three major employers in my community. It has been very devastating for our community. The number of unemployed has been very high, and we have just begun to see the number of these increase because their unemployment insurance benefits have ended and now we are beginning to see them come into our local food banks and our local agencies for help. It is pretty despairing. It is pretty devastating for these people.

Mrs Sullivan: I do not have questions about your report. I think that on the agricultural issues you have raised, we have been speaking with representatives from the agricultural community and we will be pursuing those issues some length.

I was interested in your comment about development work overseas and your suggestion that the government of Ontario should participate in matching grants for overseas development work. I thought you might be interested in knowing that while the province has not done that in the past, has not provided the matching grants, the province is indeed very active in overseas development work through contribution of equipment and goods and services from the government, including personnel transfers and technology transfers that are done sometimes through Ministry of Industry, Trade and Technology and other times through the office of the Premier and the Cabinet Office. That might be something that might change your views about participation of the province.

Father Harnadek: We realize that, but what we are suggesting is that the partnership develop even deeper than

that; we are aware of that. We would like to see a deeper relationship develop.

As I mentioned in the report, and so I will not duplicate myself, it is difficult for us to do a lot of work ourselves. It is nice to be in a province where for the last number of years—not just the last year but the last number of years—the government has seen itself as a partner with development work in our own province and overseas. We are just hoping that because of the financial situation we are in, that does not end. We would like to see that continue and develop.

Mr Turnbull: In the interest of time, I will just concentrate on a couple of areas. You are suggesting that the loss of jobs and many of the social problems are caused by the free trade agreement. I would suggest that last year was the first year in history that Ontario actually sold more to the US than the US sold to Ontario.

It seems to me that the greatest cause of loss of industry in this province is the high level of taxation. Essentially, when you are running deficits, it is just deferred taxes. You said the federal government had cut back on its transfers; in fact, it just limited the amount of increase.

Father Harnadek: I do stand corrected.

Mr Turnbull: Everybody seems to consider that the federal tax burden is too heavy. People say the provincial tax burden is too heavy. Who is going to pay these deficits?

Father Harnadek: I would suggest to you that the high interest rates and the high dollar—I am going to try to control myself here—are in large part responsible for the job losses I have seen in my community. I can only speak of my community, but these are managers of plants and these are people who have said those were the reasons why they pulled out, plus free trade.

The Chair: I thank you for appearing before the committee.

We are going to take a short recess. I cannot say whether it is five minutes or 10 minutes. We are waiting for the Middlesex Federation of Agriculture. There is no answer, as it is right now, on their phone at home.

Mr Sutherland: Maybe we can wait five or 10 minutes, and then if they are not here, we will adjourn.

The Chair: Yes, I would say if they are not here by 4:10, there will be adjournment.

The committee recessed at 1556.

1605

The Chair: The Middlesex Federation of Agriculture was to appear at 3:30; it is 4:05 right now. We are unable to contact them, so I would say, looking at the committee here, that this hearing be adjourned for the day and resume tomorrow at 9 o'clock in Brantford.

The committee adjourned at 1605.

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(Hansard)**

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**Standing committee on
Finance and economic affairs**

1991-92 budget

**Assemblée législative
de l'Ontario**

Première session, 35^e législature

**Journal
des débats
(Hansard)**

Le jeudi 22 août 1991

**Comité permanent des affaires
économiques et financières**

Budget de 1991 à 1992

Chair: Jim Wiseman
Clerk: Todd Decker

Président : Jim Wiseman
Greffier : Todd Decker



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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Thursday 22 August 1991

The committee met at 0903 in the Quality Inn, Brantford.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

REGIONAL MUNICIPALITY OF HAMILTON-WENTWORTH

The Chair: I would like to welcome everybody this morning to the standing committee on finance and economic affairs. We will resume our hearings on the budget today. To start off, we have the health and social services committee of the regional municipality of Hamilton-Wentworth. Would the gentleman please come and identify himself and his position for the purposes of Hansard. You begin and you have 15 minutes.

Mr Agostino: Thank you, Mr Chairman. I am Dominic Agostino, chairman of the health and social services committee, regional municipality of Hamilton-Wentworth. I thank the committee for the opportunity to be here today to speak on some impacts and effects of the budget, particularly from the health and social services perspective in the region of Hamilton-Wentworth and on our local taxpayers. I appeared before the standing committee on finance and economic affairs on January 22, 1991. At that time, I made a number of suggestions and gave some input as to what we would like to see in the budget. Unfortunately, the majority of those areas that we had talked about, particularly from the perspective of municipal cost-sharing, did not come through to our satisfaction and clearly to the satisfaction, I believe, of the majority of taxpayers in Hamilton-Wentworth.

I am going to briefly, first of all, address the health care side of it. In Hamilton-Wentworth, per capita health spending in the province is one of the lowest in Ontario. The range from \$47.60 per person in the city of Toronto to a low of \$6.71 in Peel. We are \$19.95 per capita.

We have many special needs in our community: socio-economic concerns, environmental and multicultural issues as well as a number of institutions in need of assistance. Our concern focuses in on our funding primarily for the new mandatory programs which were introduced in 1989 on a three-year schedule which allowed local option approval by council to implement those programs as quickly as we possibly could in a three-year period.

In 1990, regional council approved 30 new positions under the Ministry of Health funding. Out of those, 15 were approved by the province. In 1991, regional council, in a very tough economic time and a very difficult budget period, budgeted our share of 28 new positions. Only 4.5 of those positions were approved by the province and by the Ministry of Health, which is absolutely ridiculous from our point of view. We were able to come through with the 11 positions. Our cost-sharing was just 25%. We were

badly let down in regard to the response from the province in this area.

We certainly will not be in full compliance with all mandatory programs by 1992. It is totally out of the question from a financial point of view since we have not had the provincial support to phase in the programs we needed. We are, as I mentioned, one of the lower-funded health units with higher health problems than many municipalities across this province.

Reports from governments, including the Premier's Council on Health Strategy, have emphasized health promotion, prevention, local decision-making and a shift to community-based services. Unfortunately, Ministry of Health funding for public health services does not seem consistent with these directions. We believe the Ministry of Health budget must reflect the shift to community-based services by increasing the funding available for cost-shared mandatory programs and funding all public health programs which receive local approval.

Another area of concern is the funding for second-level lodging home programs. The second-level lodging home program provides health promotion and protection services to residents of second-level lodging homes. This is not considered mandatory by the public health branch, the Lightman commission has concluded. It is now reviewing the legislation and funding of rest and retirement homes. There is presently no identified funding source for this vital community health program. It is clearly important to our community. We had a task force chaired by then Alderman Christopherson, a member of this committee, that put together what was a first-class report and what the implementation of these programs is really waiting for is clearly provincial funding.

We recommend and hope that the ministry identify funding sources for the second-level lodging home program through either long-term care, the Lightman commission or the community mental health programs and provide sufficient resources for this program at a 100% level.

I would like to focus the rest of my presentation primarily on an area which is of a major concern to us, and that is general welfare assistance in our municipality and primarily the cost-sharing. Our presentation we made in January emphasized that we felt there must be a significant shift in the cost-sharing formula between municipal and provincial governments in this province.

I can tell you that our committee is disappointed with what came through the budget and the follow-up funding that has resulted. In January, when I made the presentation, general welfare cases in our region were 9,845 cases. We projected 11,000 on average for 1991. As of the end of July, we had reached a high of 12,690 cases. We expect this to keep rising. It is approximately a 62% increase from last year, and the disturbing aspect is that between now and

April of next year we expect over 22,000 individuals to come off the UI rolls in Hamilton-Wentworth and approximately 4,000 of those people are expected to come on to the welfare rolls in our region. This is going to again cause an explosion in our numbers and it is going to once again cause major financial difficulties for Hamilton-Wentworth. We clearly see a possible crisis coming financially as well as economically in the area of social services in our region.

We were hoping that the budget would help our municipalities in that aspect. It has not. It has been a major disappointment. The funding formula has been shifted slightly to increase funding from 90% instead of 80% on 4% of the total case load. That is of some help to us but the financial impact is minimal compared to the money we desperately need.

First of all, on the positive side, I think the province should be congratulated for the initiatives regarding the job creation fund. Our municipality is one of the first to receive assistance. There is \$1 million that has been put into programs, through the Ministry of Community and Social Services, for job creation for general welfare recipients. It will create about 150 positions for a six-month period. This is very positive and these are the types of initiatives we need and will continue to need in Hamilton-Wentworth and right across Ontario.

0910

However, I must go back to the fundamental issue, and that is the cost-sharing. Recommendation 197 of the Transitions report states: "The full financial responsibility for social assistance allowance and benefits should rest with the senior levels of government." The emphasis of those recommendations was, I believe, adopted by all three parties in the House, clearly the government of the day. However, the reality has not met those expectations that we had.

We have over \$17 million of Hamilton-Wentworth taxpayers' money budgeted in to general welfare assistance for 1991. This will increase as a result of the increasing case load. I clearly understand the restrictions on the provincial government as a result particularly of the latest court decision and the Mulroney government's idiotic decision to cap to 5% per year the growth on social welfare transfers to the provinces. Ontario is going to be particularly hard hit. We fully understand and we fully support the efforts of the Premier to use everything possible to get the Mulroney government to change that decision and to put in a formula that is realistic and reflects the economic needs.

Clearly, there is a hidden agenda here. It is to destroy social programs and social welfare right across this country. We cannot let them get away with that. But at the same time, we at the municipal level cannot be the victims of this fight between the provinces and the federal government. We need the help, we need the financial assistance, and this may take years to resolve.

The reality of the situation is going to be that our region is now going to be facing some very difficult decisions.

First, we are in a position right now to review, and we will start reviewing, what we call discretionary programs in Hamilton-Wentworth. These are programs that are not mandated by the province but clearly of extreme importance, items such as dental care for seniors and children,

eyeglasses, cribs, beds, kitchen appliances for people who are welfare, prosthetic devices, clearly essentials but programs that are not regarded as mandatory.

At this point the region has budgeted \$1.1 million and will probably spend in excess of that in 1991. Those programs are under review and will be under serious consideration for total elimination or cutbacks in the next few months unless we get some financial help. We are in a desperate situation. These are programs that we are mandated to carry out and that many municipalities across Ontario do not carry out. We feel we are further ahead as a result of these programs, but we do not have the financial ability to continue to carry out these programs. Those decisions may have devastating impact on people in our community. However, at the municipal level we feel we have no choice.

Second, I will ask our region in the next few months unless there is a clear shift in the funding formula, to very seriously consider sending the whole responsibility of general welfare programs back to the province. Clearly we are not in the financial position to continue to carry out those programs that are mandated and legislated by the province unless we get the 100% funding that we should get, that has been recommended and that clearly has been identified as a provincial responsibility. We cannot continue to carry the load of a provincial program that should be fully funded by the other two levels of government on the back of the people of Hamilton-Wentworth and the home owners who have to pay through their taxes for these programs. That decision, again, will have to be made by the committee and council, but clearly, unless there is a formula in place and a change very quickly in the funding formula, we will make that decision and the province can do what it likes—take us to court, challenge us or anything else on it.

I think the time has come for us to get serious at the municipal level and I think you are going to see clearly a revolt right across Ontario of municipal governments saying, "Enough is enough and we cannot continue to pay for programs that clearly do not belong in our lap." I do not think anyone can question that. The welfare programs are not a municipal funding responsibility. We will carry it out at the municipal level. We are the best able to do it because we are on the front line, we understand the needs of our community much better. But carrying out the programs is one thing. Having to pay for them unfairly is another, and we will not continue to do that.

These are drastic measures that our region will have to consider in the next few months, but obviously these are tough times. These are tough times for our taxpayers and we must be accountable to them and carry out the programs we are mandated to do at the municipal level. Welfare is not one of them, in my view, to be paid for by the taxpayers who can no longer afford it, who have been hit from all sides. Our region will make those decisions in the next few months and will obviously then have to deal with the ramifications at the provincial level of those decisions we do make.

I want to address very briefly the issue of day care subsidy, which is a concern to us, and the issue of profit and non-profit or commercial centres. We are concerned

the direction of the government is going to mean an increase, particularly in the number of commercial centres will be forced out of business. The slack will then have to be picked up by the non-profit centres, which will mean, in our view, an increase in capital funding, an increase in spending, in order to ensure the spaces are available in our community. Approximately one third of the day care spaces are in the commercial sector. It works well and we urge the government that there is equal funding for profit and non-profit centres. We do not have a problem in Hamilton-Wentworth in that area. The level of care is relatively equal and we want to continue to give residents in that community that choice. If you remove that choice, I think you are going to see an increase in the cost of providing day care services, because clearly the non-profit sector will have to pick up the 30% or so that is now in the commercial sector, which in our view will slowly go out of business as a result of this type of legislation.

I am hopeful that this presentation will emphasize the seriousness of our situation in Hamilton-Wentworth, the problems we are facing and the fact that unless we get some help very quickly, we certainly will be one of the worst municipalities across Ontario to lead what I believe will be a municipal revolt, having to pay a welfare cost that clearly does not belong in our lap.

Mr Phillips: I appreciate very much your presentation. I think the whole future of dealing with issues like those you have raised depends on our ability to develop economic activity. Our biggest concern about the budget is that, in my opinion, it does not generate the necessary economic activity to be able to fund the sorts of things you have talked about.

Because you are very close, obviously, to the situation in Hamilton in terms of the impact of this budget—and I guess the other big thing for Hamilton probably was the Red Hill Creek expressway—I would be interested in your opinion of what this budget will do for economic activity in Hamilton that will fund the sorts of things you are talking about, and maybe just tangentially the sort of impact the Red Hill expressway might have on economic activity as well.

Mr Agostino: Clearly the decision to cancel this project has had a devastating impact on our community. Clearly, jobs have been lost. There has been nothing to replace those jobs that have been lost. There has been nothing to replace the plans we had talked about in building the expressway. This is in the short term.

The long-term impact is still difficult to assess because of the lack of incentive, because of the lack of a transportation network to entice business to move to and grow in Hamilton-Wentworth. There is a short-term loss of thousands of jobs that has been well documented, and a long-term loss of many other jobs and lack of business interest in Hamilton-Wentworth as a result of the decision to cancel the expressway.

The job creation fund has helped minimally, with general welfare assistance, but generally we have not had the type of infusion of dollars I believe we need to help Hamilton-Wentworth get out of its recession. We are facing an almost 11% unemployment rate, very difficult times in our

community and clearly job creation has not come our way. Maybe other communities have seen it. Hamilton-Wentworth has not been a great benefactor of that to date.

Mr Carr: Thank you very much for a fine presentation. It was interesting that you talked about the taxpayers and about how much you needed more money for the various programs. As you may be aware, the province is in a deficit position right now. You are going to be here about 15 minutes making your presentation. During that period the province will spend \$195,000, not for the health care, not for social assistance or whatever, but just to pay the interest on the provincial debt alone. That works out to \$13,000 a minute, so in the time you are here we are going to spend almost \$200,000. What do you say to those taxpayers who say spending \$200,000 just to pay the interest in 15 minutes is an absolute waste of money?

Mr Agostino: Clearly we are not happy with it. Anyone would not be happy. We all have a choice. We would prefer this province to be in a non-deficit position. We would prefer the federal government to be in a non-deficit position. The reality is that we are going to have government deficits. I guess the question is, where are the priorities for that money to go into? I say to my taxpayers, "Should you be carrying that deficit further on your backs under the most regressive system of taxation you have, which is property taxes?" I do not believe that is the case and this is adding insult to injury. Not only are we getting hit with having to pay for the deficit on one hand, but then the home owner who is barely making ends meet in our community has to pay again. It is a double whammy and they are hit right between the eyes.

0920

Mr Christopherson: Dominic, it is nice to see you again at one of our hearings. You have talked about a lot of the needs, mandatory programs, the second-level lodging homes, transfer payments, GWA, Transitions and all the things that I was with you in dealing with at the municipal level. You use terms like "desperate situation" and "devastating impact." The opposition parties, including members of your own party, have been making the case that the deficit is far too high and that this is not the direction to go in. The alternative, as you know, would be to go down the road of a Mulroney-type budget, which cuts back particularly in areas of social spending. I would be interested in your opinion on how Hamilton-Wentworth would have fared had we not at least made the transfer payments and the kinds of commitments to the social programs we did? In other words, if we had gone down the Mulroney road and not down the road we had, what would the impact on our community have been?

Mr Agostino: As I mentioned, clearly we did benefit from some of the programs, like the job creation fund and some of the other benefits that welfare recipients in our community have made. Frankly, I think a decision to cancel the expressway undermined by a wide margin any other efforts that came forward. If you weigh the net loss and the net gain, we clearly came out on the short end of that part of it. We have lost a lot more than we have gained as a result of the decisions that have been made by the provincial

government and in our own region and, as I stated earlier, the municipal funding formula has not been addressed in any way by this government and the local taxpayers are going to be the big losers of that.

We have made some gains, but I think the losses have by far outstretched the gains because the expressway was one decision that would have had an absolutely positive, continued effect on our community. We are reeling and will continue to reel very badly as a result of that one government decision, and it is going to take a great deal to make up for the loss of jobs, confidence in our economy and basically confidence in our own ability to carry out our programs in the region. Regardless of political affiliation, we all understand the need for a strong economy and the need for business to grow and prosper in order to pay for those social programs. You cannot have one without the other.

We are having a great deal of improvement in the area of social services in regard to benefits to recipients and so on. We acknowledge that, but unless the economy is allowed to grow and prosper and the incentives are there for this economy and this province, you cannot continue to pay for those social programs fairly and distribute that fairly across so that people are able to afford it. Unfortunately we have not seen enough of the other end, and maybe that is one of the reasons why the money is not available at the provincial level to help out municipalities and we continue to pay the bill for something we should not be paying.

The Chair: Mr Agostino, thank you for appearing before this committee, and I believe you have brought some different points forward that have not been brought across the province so far. We appreciate your attendance here at this hearing.

Mr Agostino: Thank you very much, Mr Chairman, and members of the committee.

Mr Sutherland: As you know, Mr Chair, not all the groups that had wanted to make presentations were able to appear because of the limited time we have. One of those groups that also wanted to appear was from the Oxford Regional Labour Council, in conjunction with the CAW Local 636. They were not put on the list. However, they did drop off briefs at my office, and while I am not sure if there are enough copies here for everyone, I would like to table the brief with the committee and hopefully, if the clerk could get some extra copies, have that circulated to all members.

WALLY LUCENTE

The Chair: The next gentleman to appear before the committee is Mr Wally Lucente. Welcome to the committee. You have 15 minutes for your presentation.

Mr Lucente: I will try to get organized here. Mr Chairman and committee members, let me just start off by advising you that I am speaking as an individual first, and also speaking as an alderman representing the city of Brantford. Let me start off by thanking you, the committee, for attending here today. I cannot recall if a legislative committee has ever attended Brantford. I thank you very much for making Brantford one of your stops. It is very important for me, an individual and also a member of council,

and for the province to feel that this city is an important stop throughout the deliberations across the province.

I want to talk first about the recession we are going through and the impact it is having on this city. Historically, Brantford has always been hit when it comes to recession, hit hard and hit fast. A number of examples as a result of recent recessions—and you are probably aware of the plant closures—are Massey-Ferguson, White Farm and Fruehauf. Brantford is always hit first with respect to recessions, and our infamous federal member of Parliament, Derek Blackburn, has always referred to Brantford as a microcosm of the economy, or of things to come, and that certainly has been evident with this recession as it was in the last recession.

I want to talk about the current impact the recession has had on this municipality at this point. Unemployment is in the double-digit figures, certainly larger than the national average. Inflation has been devastating in this municipality as well, and the welfare costs have been staggering in this municipality. As the previous speaker has alluded to from another municipality, I just want to touch on some of the figures with respect to welfare costs in this municipality, just to give you an idea of the kinds of increases we face and the kinds of expenditures we as a city and a county have been faced with when going through our budget proceedings as a city.

In 1989 our welfare costs were \$8.7 million, in 1990 they were \$12.6 million and in 1991 the projected costs, if we continue at the rate we are going, will be \$24 million. That is approximately the projected costs for the end of the year. It is almost double from last year and this has a significant impact when we, as a council or as a city, have gone through our budget process. Let me just start off by applauding the current government with respect to its announcement of Back on Track, which allows some relief to the municipality if we go over a certain level. Our figure as I understand it, is approximately \$25 million. If we as a city and county meet that level at the end of the year, there is an opportunity for some reimbursement. That is important and it may lessen the impact with respect to the budget we have just gone through this year.

With respect to building activity, again just some figures to give you an idea of what has happened in the last few years: In 1988 Brantford was in a boom, so to speak. There were approximately \$109 million issued with respect to building permits. In 1989 it was \$119 million, probably one of our best years. In 1990 that shrank to \$70 million, and this year the projected cost, actually up to July of this year, is only \$36 million. If you project that through to the activity we are at right now, it will be only \$54 million with respect to building permits being issued. You can see the impact, or the downturn, in the local economy here. The city, I may add, is just strained and that is evident through the budget process we went through that I am sure you also went through.

Just with respect to debt, at this point the city has incurred \$60 million worth of debt—\$40 million in principal and \$20 million in interest projected. These are the capital costs, because of course municipalities do not have the opportunity to incur deficits as provincial and federal

vernments do. Let me just say that from a municipal point of view we just cannot afford any further debt.

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Taxation has had a significant impact on the municipality well. The market value assessment has cost us increases in some situations up to 100% for certain individuals, and it is evident by the kind of activity and anger that exists in this municipality and throughout the province with respect to taxation. So I think it is important to recognize that from a city's point of view or a city ratepayer's point of view, they cannot afford any further increases because it is the most difficult year as far as taxes are concerned, and the ratepayers of this city are always the front runners, as the impact is felt first at the municipal level.

I just want to explain to you my point of view with the recession and perhaps talk about the difference between the 1981-82 recession and the 1981-82 recession that the city was faced with. There is a difference between the two recessions in that with this recession the difference is that jobs are not just being deferred or people are not just being laid off. The jobs are gone, and I am submitting to you that the causes of some of these jobs being gone, among other things, is the federal Tory restrictive policies that they have opted under Mr Mulroney.

The free trade agreement is the biggest example. Those advocating against the free trade agreement in the past—fortunately their predictions have come true because they argued against it suggesting it would have a devastating effect. Jobs would be lost. Plants would be shutting down and jobs would be going down to the States. Unfortunately for this municipality and this province, that has come to fruition because that is exactly what is happening. Brantford is the greatest example of the effects of that policy, or that directive, or that decision made by Mr Mulroney and his friends in Ottawa.

The goods and services tax is also contrary to those who argued against it. It has caused a devastating effect, and it has contributed, in my opinion, to the recession because it has impacted on consumer spending and attitude. That is evident by shoppers today. They are all going down to the States, crossing the border, because it is cheaper in the States to buy certain goods than it is in Brantford. You cannot blame individuals for taking that attitude because the amount of taxation is just ridiculous. Just in talking to people on the streets, when you talk about provincial sales tax and the goods and services tax, that is the straw that broke the camel's back; of course, with the tight monetary policies that were adopted by Mr Mulroney and his Tories as well.

I want to touch on the actual budget itself now. Let me just start off by suggesting that fundamentally I am against deficit spending. I think we are all against deficit spending on individuals and I am sure, as a provincial government, they are against deficit spending. However, in view of this recession—and as I understand it, it is one of the worst recessions since the Depression of the 1930s; certainly worse, from my point of view, than the recession of 1981-82.

There were two options I am suggesting the provincial government could have pursued. The one option is the federal Tory approach, and I call that the do-nothing approach.

It is a restrictive type of approach. It restricts assistance to individuals. It restricts job creation programs. A prime example is the worker adjustment programs that Mr Mulroney suggested would take place when the free trade agreement occurred. He talked about that, and those who were averse to the free trade agreement argued the amount of jobs that would be lost, and Mr Mulroney responded by saying there would be worker adjustment programs that would take place. Well, certainly those worker adjustment programs did not take place or have not taken place from a federal point of view.

The only worker adjustment programs that have taken place are from the provincial government, and Brantford was first to receive that assistance whereby certain provincial moneys came forward to Brantford, and it was instrumental in assisting us to set up the program through the unemployment service centre in Brantford. I applaud the provincial government for doing the job that should have been created by the federal government as a result of the free trade agreement.

Another policy or another method, if you had gone the do-nothing approach or the federal Tory approach, is to place certain restrictions on the province. Nothing is more evident than the recent Supreme Court decision to uphold the federal government's decision to rescind transfer payments to the province, amounting to something in the effect of \$1 billion with respect to welfare payments. That is \$1 billion that was added on to the deficit of \$9.7 billion or whatever figure it is. In other words, if the federal government had not adopted this restrictive policy and had come good with the transfer payments, that would have been \$1 billion off the deficit as well.

In short, the federal approach was a do-nothing approach, a cutback approach, a no-assistance approach, and their only approach was to increase taxation during very difficult recessionary times. Unfortunately, that sort of approach impacts the most on those who can least afford it, certainly not on those who can most afford it, which is usually the Tory approach anyway.

The other option is the provincial approach. This approach, I may add, is the approach that I certainly support, and that is a do-something approach or a proactive approach as I would call it, and the assistance has come to Brantford with respect to that approach. As a representative of ward 5, which is across the road from where we sit right now and includes a number of older neighbourhoods in this municipality, certain work, certain projects were definitely necessary. The biggest example that I applaud the provincial government for was the anti-recession moneys that came to Brantford, or a series of moneys through a package; \$4.6 million flowed into Brantford for a number of different sectors.

In education there were improvements to three high schools. In health we have had improvements to hospitals. One example, the Brantford General Hospital, unfortunately it came to their attention that certain parts of the hospital had asbestos that had to be removed. You cannot really budget for something like that, and when you are running a really restrictive budget from a hospital point of view you just do not have those moneys. So part of the

moneys that came as a result of our anti-recession package helped finance the removal of that asbestos, certainly moneys that were not budgeted for, and the hospitals did not have moneys for it. St Joseph's Hospital also received moneys. There were moneys made available through housing. Additional provincial dollars have flowed through to the new Brantford Public Library that is being built, and I can remember our representative Mr Ward attending and making the presentation on behalf of the minister responsible.

Sanitary sewers: The city, especially the older sections, are in desperate need of repairs in their infrastructure. These sorts of moneys have gone towards capital projects. **Road reconstruction:** a series of roads being rebuilt in the older sections and throughout the municipality. This reconstruction, in my point of view, would not have gone ahead this year if not for the assistance of the province, if not for the support of the province. These were activities, these were capital construction projects that were scheduled but certainly, in view of the budget that we have gone through this year, there is no way that we as a municipality would have afforded that kind of activity if not for the assistance.

There are a number of spinoffs that are created as a result of doing the work now during this recessionary time because it maintains employment firstly. It maintains employment from the municipality as one of the largest employers remaining. It also issues work to contractors, to businesses, to developers as well. In short, during recessionary times, it is important to inject assistance. It is instrumental, from my point of view, to help cushion or curtail the effects of a recession, and that is certainly important to the people of Brantford and certainly important to the municipality.

0940

When I said earlier it is a pro-active approach, the biggest example that I can think of is: I remember sitting around the council table, and one of the resolutions that came forward was as a result of certain PRIDE moneys being made available; so we had a letter in front of us from the then Minister of Municipal Affairs, the Honourable David Cooke, saying, "Here's \$400,000 anti-recession money. Here's upfront PRIDE money. If you have projects on the books that need to be done now, then these moneys will be instrumental in assisting it."

The Chair: I am sorry. I have to cut you short.

Mr Lucente: We are running out of time.

The Chair: You have used your 15 minutes on your presentation. The Conservative Business Association of Kitchener-Waterloo has cancelled out. Being the Chairman, I look for direction from the committee. If every party would like to have one question of this man, we have enough time, or we will just wind up keeping to our schedule which was already pre-arranged. What is it? We stay to our schedule?

Mr Kwinter: Let's have one question.

The Chair: Okay, we will start off with Mr Carr. One short question.

Mr Carr: Thank you very much and we appreciate your presentation. As you know, there are two ways of helping out during a recession. There is one where the

government continues to tax and then turns around and hands the money back in terms of programs, which is what this government did, and we heard the other chap earlier say that it created 150 jobs for six months and then they gave him \$1 million. There is another way of doing it and that would be to offer some type of tax relief, whether it be on the provincial sales tax or to reduce the tax on auto sales to spur that. That would presumably get more people to buy cars that, in his area, would help the steel industry and so on. So there are two ways of doing it.

This government took the approach where the people in Toronto will tax the money. They will then decide what the municipalities get money. What is your feeling about that other method of letting—for want of a better word—the consumer decide? You know in your area here that one of the big reasons for some of the losses—people like Massey and so on—was the tax situation, because there was no duty on their product with the free trade agreement. It came across the border duty-free anyway. So what is your feeling? Why go this route where the people in Toronto make the decisions as opposed to letting the consumers do it with some type of tax relief to citizens who, you know as an alderman, feel totally taxed out.

Mr Lucente: The rebate method is a good one. Sorry I did not get to finish my presentation. I go on at length but the rebate issue is a good one, and the example that comes to mind and I alluded to previously was the recent tax relief provided by the current government with respect to welfare payments. If this municipality goes over a certain level, then certain moneys will flow back to the municipalities so it will lessen the impact on the municipality for next year. That will be the relief. So instead of coming in at a budget at a certain percentage, it will be a better year, and that will be the relief to the ratepayers. That is the approach I would prefer.

Mr B. Ward: Thank you for your presentation. One of the initiatives of this budget was to increase transfer payments to the municipalities rather than flat-line them as has happened in the past, and this was a cost to the government, but it was a decision we made to assist municipalities in their property tax revenue. Recognizing the city of Brantford had a tough time with the municipal budget in the spring—and I believe there was still a 6% or 7% increase over and above last year even with these transfer payments—without them, if it was flat-lined as it was in the previous year, could you ballpark what would the impact be on the property tax and the ratepayers of the city of Brantford?

Mr Lucente: Yes, it would obviously have been significantly greater if not for a lot of the programs that we had on the books, especially for infrastructure repairs and reconstruction of roads and so on and so forth—that sort of activity. There is no way we could have afforded a lot of the projects this year. And as I suggested earlier, there is a spinoff effect. By doing that construction now, you maintain certain levels of employment within a municipality. You also increase activity for developers, for local contractors. That sort of spinoff activity is the result of doing the work now. So if not for some of the programs or assistance, we would not have been able to do some of the

programs and the effects would have been even more devastating. I dare say that the mill rate that we set this year probably would have been significantly greater.

Mrs Sullivan: I am interested in your view about the impact of the \$4.6 million which came into your community. There are a couple of things that stand out to me in terms of that kind of money coming in. One of them is that they are clearly very short-term jobs. There is no long-term job creation package involved in that kind of influx.

The second thing is that you have talked about sanitary sewers. Brantford clearly has had a problem for a long time with water and sewage infrastructure and clearly needs a major influx of funding in that area. One of the things that this government has done is to eliminate the continuation of the water and sewage corporation, which would, in fact, have levered funding to ensure that long-term water and sewage projects could have gone ahead. That would have done a couple of things—provide environmental protection and provide long-term job creation. We have not seen that happening.

The other thing you left out was how much money had to be provided by the community for these short-term job creation projects. In the case of the anti-recession funds, most municipalities have not been able to take up the funding because they cannot afford to come up with their share of the deal. I wonder if you would just like to comment on those observations.

Mr Lucente: First, with respect to creating long-term jobs, one of the points I made earlier was that as a result of picking up certain dollars, we were able to go ahead with certain capital projects. As I suggested before, it gave us the opportunity to maintain the level of work activity within the municipality. In other words, it did not result in any layoffs. I do not think anybody was laid off from this municipality because a lot of the capital works projects and the works that we were doing in this municipality were done by city forces. A certain amount were contracted out. It kept contractors busy. Contractors in turn have employees. It maintained a certain level of activity. So I am suggesting to you that there are some long-term jobs being created as a result of the influx of money—long-term in the sense that we are able to protect the jobs within this municipality.

You alluded to the sanitary sewers. Some of the monies that were freed up out of that program enabled us to do some of this capital work. So if we get to do the work this year, and the work—

Mrs Sullivan: You need millions of dollars. You only got \$4.6 million for everything.

The Chair: I would like to thank you for appearing before the committee. We ran overtime a little bit—

Mr Lucente: Sorry, I did not finish. I had about another five minutes but—

The Chair: If you have it written, would you hand it to the clerk so it can be put in the report.

Mr Phillips: That would be great. I would like these notes for next year.

The Chair: Fine. Thank you for attending the committee hearings.

Mr Lucente: Thanks again for coming and making Brantford one of your stops along the way.

Mr Phillips: Mike Harris's idea.

Mr B. Ward: And he is not even here.

The Chair: We are ahead a little bit, so we will take a 10-minute recess.

The committee recessed at 0950.

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COMMUNITY OPPORTUNITIES DEVELOPMENT ASSOCIATION

The Chair: The next group to come forward is the Community Opportunities Development Association. Mr Paul Born is executive director. For your presentation you have one half-hour. I would like to welcome you here to the committee. In that half-hour, if you could leave some time at the end for a question and answer period so the three parties can ask questions on your presentation. You may begin.

Mr Born: I want to thank you for giving me this opportunity to discuss the 1991 Ontario budget delivered by Ontario Treasurer Floyd Laughren. It is important for you to understand that I am not an economist and that I come to this discussion as the director of an agency involved in community economic development. CODA, or the Community Opportunities Development Association, is a non-profit community-based charitable organization serving more than 4,000 economically disadvantaged individuals in the Waterloo-Wellington region.

We have seen first hand the effects of the recession on the lives of the many workers and on the communities we serve. Many thousands of jobs have been lost permanently over the past year in our region. We are concerned about the significant number of people on unemployment insurance and, more recently, the significant number of people who will be exhausting their unemployment insurance benefits. We are concerned about the number of people collecting social assistance, many of whom are there for the first time. We are concerned about the extreme pressures that the recession is having on the social services network.

I come here today to impress upon all those present that this recession is very real, that many thousands of people are hurting in Ontario. I have come to stress that since January 1990, nearly 28,000 jobs have been lost in Ontario due to partial or complete company closures. These are jobs that will never come back again. In Ontario there are 527,000 people unemployed. This is an increase of 249,000 more people unemployed in June 1991 than there were in June 1990.

As an organization, we are struggling to deal with a strategic plan that looked at somewhere in the area of 6% and 7% unemployment. We are now fighting 11% unemployment in our region. So where do we go? What do we do? In the communities we serve, nearly 20,000 people are without jobs. I need to also stress that these are only the official numbers. It does not account for the many nameless thousands not represented by these statistics.

Behind each of the statistics I have presented to you today there are individuals in need of hope that the government they have elected is doing something to strengthen the economy, hope that there will be strong social networks to assist them during their time of economic transition.

The 1991 Ontario budget, in my personal opinion, represents a number of significant hopes for the many individuals, families and communities affected by this recession.

The \$700-million anti-recession program is one of these hopes. In Cambridge, Ontario, this has meant additions to two libraries and financial assistance towards the revitalization of the economically depressed Hespeler area of Cambridge. It has meant a program to assist employees affected by small company closures. Each of these initiatives represents solid community development which provide jobs for the unemployed and significantly increases the quality of life for the residents of Cambridge.

Social assistance reform and the \$215 million committed towards this provides another hope. The Transitions Report of the Social Assistance Review Committee must be implemented. A recent report, *Back on Track*, is definitely a step in the right direction towards its implementation. The 1991 Ontario budget will provide hope to the many individuals forced to live on social assistance. New programs such as Opportunities Planning are now in the process of becoming a reality. Programs already in place, such as the municipal employment program, social services employment programs 1 and 2 and community economic development initiatives, will be strengthened because of the 1991 Ontario budget.

More affordable housing, expanded training for unemployed workers, a strong health-care system, enhanced services for women who are victims of domestic violence, and other important and expanded services to help those affected by the recession, give hope to the people we serve.

I am not an economist and therefore cannot comment on the issues of spending cuts, transfer payments, tax increases and deficits. As an individual involved in community economic development, I can, though, comment on the issues of vision and hope and their importance on the health of a community. I have already seen how the 1991 Ontario budget has fostered hope for many of the people we serve. This hope has focused visions which I believe will bring us out of this recession.

Mr Sutherland: Thank you for coming forward today to make your presentation. I think you have outlined in a very brief and succinct manner the impact of the recession. We have been hearing in other communities from other organizations like yours what the impact of this recession has been on people. While this budget has started the process of trying to meet some of the needs, there is still a lot more to be done. I was just wondering if, for the committee and for those of us who are not as familiar with your organization, you could just elaborate a little more on how your organization operates, what its specific mandate is, what the clientele is. Do you do the same thing as the unemployment help centre? Do you work with them?

Mr Born: That is a big question. How long do you have? Has anybody got any money? I can really do a sales pitch here.

The Chair: I might say that your handout to the Chairman is very informative. If there is a possibility of getting more copies for the rest of the committee here, it will give them a good insight into exactly what your group is doing. Your brief did not lay out, as Mr Sutherland was talking about, exactly all your involvement in the community. I just noticed here your Christmas party and the 1991 donors. It seems to be a joint effort with the whole community.

Mr Born: If I could just possibly give you a brief precise overview of what we do. I also have two annual reports, if people want to pass those around. They give you some more specific statistics.

Community Opportunities Development Association was formed in 1984. Coming out of the last recession, we had a tremendous rate of unemployment in Cambridge, Ontario running around 22%. At that point, the centre was set up just to help these people get through the tremendous problems they had with unemployment insurance, with welfare, that sort of thing. Since then, we have grown to encompass many other programs, 14 in all right now. We have a staff of 24 people and a budget of just under \$1.5 million.

Our mandate is to help the unemployed and underemployed and to provide them with social and economic opportunities. We also do community-based economic development. We have the Cambridge job centre, which is very similar to an unemployment help centre. We have expanded our mandate and also run municipal employment programs for the provincial government and the region of Waterloo, which help social assistance recipients get back into the workforce. We are running at about a 70% success rate, which is a very high success rate in terms of bringing people who have been long-term unemployed back into the workforce. We have also developed quite an extensive career resource area. We run career programs, helping people to make career changes.

Essentially then, the whole setup of this division is that we are helping people in economic transition. We know that people go through economic transition three, four, five times in their lives. Recessions are not the only times of economic transition for people.

Second, we run family support services. We have initiated a program called Books for Birthdays, which is our literacy initiative, and funded by local charitable groups—this one in particular by the Kinsmen. What we do is, about a month before a child's birthday, a parent can come in, pick up about \$20 worth of Canadian children's literature and give it to their child on their birthday.

We have a children's Christmas party, which had 402 children at it last year and about 300 adults. There were 700 people on the morning of Christmas Eve who had just one great time. Again, it is for people who are low-income, who are struggling. It particularly also replaces that company Christmas party that very few low-income people now have and which they used to have when they were working.

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We run a program called the summer swim tickets program, where we give free swim tickets to children during the summer, keeping them off the streets and away from the television when they are out of school. We also administer reduced-fare bus tickets for the city.

In addition to that, we run a Cambridge housing access program, where we help low-income people to find affordable housing. Last year, we served just over 200 people in the first year of the program. In the first quarter, we are at 70 already. Housing is a desperate situation. We implemented the program because we found out that in our job centre program 40% of the people had housing-related barriers to employment.

Last, we operate self-employment business resources, called the self-start centre. The self-start centre operates a number of programs. In one we just finished we had 10 Irish entrepreneurs, five from southern Ireland, five from northern Ireland, on an exchange program. We talked to them about entrepreneurship, put them into place with a number of business people locally. They trained them.

We also operate a program called the community economic development initiative in which we help social assistance recipients—this is welfare recipients—to start their own small businesses. We helped 116; 47% of them are now in business; 22% are in jobs with a success rate of 99%. Again, they are people on social assistance, the majority of them being unemployed for more than a year and we are helping them to start their own small businesses.

We started a Waterloo-Wellington credit circle which is an innovative form of community-based lending. Because low-income people do not have collateral, we imported a program actually from Bangladesh, implemented it here in Canada, the first of its kind outside of native communities. What happens is five people co-sign each other's loans. So in lieu of collateral, the goodwill of five people is what is their collateral.

We have a loan fund of \$305,000 that we give to low-income entrepreneurs. It has been in existence since 1988 and to date we have zero default. Again, it is a tremendous success and it is a tremendous statement for people on low incomes and the credit risk that they really are. I need to stress, "zero default." I think many banks would love to have that same statistic.

In general, that is what we do.

Mr B. Ward: Very quickly, your organization is on the front line working with underemployed and unemployed in the Cambridge area. Our government took some initiatives and we said we want to maintain our social programs during these tough economic times. We want to maintain our health standards. We have been criticized by some organizations for that stand. If we had not taken our initiatives, had we listened to our critics and cut back, what ramifications would that have for the people of Cambridge, based on your front-line relationship with the people of Cambridge?

Mr Born: First of all, I think you should be criticized. You are in power now. When you are in power, you are supposed to be criticized. That is just my personal opinion.

I think if a lot of cutbacks happened we could have had more of a serious situation. I am not sure exactly how you could have manoeuvred it any differently than has happened, particularly in terms of the way the recession has hit. The recession has been very devastating to many people, our area in particular. We have had somewhere in the area of 22 plants closed.

Prior to the Ontario budget, there was no money, anywhere. We have many contacts within government. There have been three different governments since we have existed and we have been able to work with all of them very successfully. But there just was nothing. We were saying: "We've got 20 plants closing, how can you tell us there's no money? We've got to do something with these people?" There were 2,000 people permanently losing their jobs. We had to do something.

After the Ontario budget came into play, there were dollars available to develop programs, particularly for plants that were closed.

Mr Phillips: I appreciate your comments and I am sure your organization does some really fabulous work.

The last sentence in your brief says, "This hope has focused visions which I believe will bring us out of this recession." I might say that the concern of the critics of the budget is that in terms of looking ahead, at creating the economic activity—because the most important thing to your organization I think is the creation of job opportunity—and as we look ahead at the budget, it is deficits forever, in the \$7- to \$8-billion range. It plans unemployment in the 9% to 10% range over the next three years, even in good times.

That is our concern. It is not the spending side of it. It is the economic activity side of it. We are frightened that a year from now the job creation has not gone on, the funds required to fund organizations like yours are more difficult to come by, and as I have said to many groups, we will not know for a year. That is our concern.

My question really to you is this, as you look ahead of the budget—it is kind of an economic plan for the next four years—are you satisfied it will create the kind of economic activity that will allow you to provide the real services you need to the people who come to you, helping them to find—I think that is one of your key jobs—meaningful, productive and satisfying employment?

Mr Born: That is a big question. I wish I could predict four years down the road. I wish I could understand the budget enough to be able to give you a concise answer. But what I can tell you is that today many people are being helped by the dollars made available.

By providing them with this help, we have been able to give an element of hope. Fewer people will go on to social assistance because of these programs, in the short term. I am not sure if you have ever been on social assistance. I am not sure if you know a lot of people who have—

Mr Phillips: Yes, I do.

Mr Born: —but if you have ever followed someone going from losing a job to going on to unemployment insurance, the transition is no big deal, in most cases. It is hard; it is difficult; but in reality, it is an acceptable place to be in our society, in most cases, for short periods of time.

But then their unemployment insurance runs out. Watch someone go from unemployment insurance to social assistance. It is devastating. It is utterly devastating. I personally say, a big chunk of their soul is lost. It takes us more than twice as long to bring someone back, to give them the self-esteem and the energy, the drive—we call it the spark in the eye—that employers are looking for. When you are hiring, you look for that spark, you look for that person who is going to take the initiative. It takes us twice as long to get that back for that person when we have got them off social assistance.

So my answer to your question then, using that example, is that in some senses, yes, we have to look four years down the road, and I think you are right in saying that we really have to severely criticize the budget—sorry, critique it, more so than criticize. Critiquing is more beneficial. But we have to because everyone has to be sure that four years down the road these things are going to happen. So we all have jobs to do in terms of making sure that does happen.

But in the meantime, if I can just finish, we must give people hope now. We have got to get people into—even if they are temporary jobs in my opinion, to keep them from going on to social assistance. Do you realize that in our employment and immigration catchment area, we are predicting 600 people a week losing UIC benefits coming at the end of August, and 1,600 a week by the end of December?

Mr Phillips: But is not one of the keys, as you say, to create jobs? If you could wave a magic wand, is that not one of the absolute keys? And are you satisfied with the job creation potential of this budget?

Mr Born: No. No one is. The reality is that people's hands are tied. The job creation potential is directly, in my opinion, correlated to the amount of money that they have to spend. You can only spend so much money. There is only so much money in the pot. I think with what has been given, some significant things have been done.

Mr Phillips: Is job creation not related as much to individuals deciding that they will create an environment where they create jobs? Is that not what creates jobs, that individuals, men and women, say, "Listen, I've got an idea and I am going to develop it here, not in—" A year ago, Ontario had the lowest unemployment rate in all of Canada. Now there are four provinces with better unemployment rates than Ontario, for a variety of reasons. But is it not creating the environment where somebody says: "Listen, I am going to build a business. I am going to expand my business?"

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Mr Born: I am not sure. I used to think that, particularly when I was in business. But you see, the reality is, in our organization, that it is not only my initiative and the initiative of our board that makes us grow and strong, but it is my workers. It is the people who do the work. My fear is that if we create an environment in which it is only the entrepreneur, the person with the initiative, the business person for lack of better term, that enterprising individual—if that is the only person that we are giving hope and vision to, then yes, we will create some jobs, but in the meantime, we also have to keep that hope and that vision and that strong work and the desire to work within the workers.

So we must give as much emphasis on keeping the employed and keeping them working and keeping them from getting that big chunk of their soul taken away when they get on to social assistance and the loss of that hope. So for every enterprising person, there are more enterprising people who are needed to make that enterprising person a success.

Mr Carr: Thank you very much for a fine presentation and also for the fine work that you do. As you know, there has been a lot of criticism of this budget by some of the groups that work with people on social assistance. I was reading one of the headlines here that says that the advocates of the poor were scathing in their criticism and the chap at the food bank said they expected so much more and they were terribly disappointed. Another chap from the Rupert House said it is very much a stand-pat budget. The budget shows the NDP is throwing its entire election platform out the window and there is nothing left of it.

They were saying they wanted more money. One of the areas we could have gotten more money from—and I was looking at your statement of revenue expenditures and you are not unlike the government—one of the biggest expenditures is salaries and benefits. There have been those who have said, as other provinces have done, either hold the civil servants' salary at 2% or even freeze them. It would have freed up \$1 billion.

In fact, if we had not added 10,000 civil servants over the last five years, we would have been talking billions—not millions, but billions, with a "b." What is your feeling about having those who have what have been called recession-proof jobs in the government, people like ourselves taking a bit of a break either at 2% or freezing salaries for the 90,000 people? Do you think that is a good idea?

Mr Born: It is an interesting concept. Yes, I read the article as well. You need people who are highly motivated who are concerned, who are also feeling that they have a element of job security, which they do. You need to be able to reward people for their good work. To me it goes way beyond an issue of policy and doing an across-the-board 2% freeze on everyone's salaries. You have to work with these people. It is easy to put legislation in place and say we are going to put a 2% freeze across, but you have to keep these 90,000 employees happy and you have to keep them motivated and you have to keep them working hard because they are an integral part to pulling this economy out of the recession.

Now, if these 90,000 employees, many of whom are unionized—probably all of them are unionized, yes—they would then say we are willing to freeze our salaries at 2% for the betterment of Ontario, I would say, "Great. A power to you." Our staff have done that, not this year, but they have done it before and were frozen for that reason for the benefit of the organization.

But it is hard to impose it. You see what is happening in the federal government where they have imposed that kind of legislation and look what has happened: the kind of discontent with the bureaucracy, with the government workers. The kind of productivity that you are getting is minimal in comparison to your saying: "Look, we're partners in this."

re've got to work together. You're an integral part of the government team, and here are your salaries."

I think there has to be an element of co-operation, and I believe yes, if \$1 billion could have been saved and the people on the front line would have voluntarily taken those cuts, I would say all the power to them. It would have made a tremendous statement to the people of Ontario, but at this point that has not happened. But I do not believe that we should legislate those sorts of things, because in a modern work environment it does not work. That is the honest truth. Co-operation and participation are the key.

Mr Carr: I would agree, because as you know, in Quebec they did do that willingly, and that will be an interesting question for the OPSEU people when they come through.

The second question that I have relates to the problem of getting people back to work. As you know, during the last recession we poured more money into social assistance programs, thinking it would be short-term, it would be temporary, and when the recession ended those people would come off the social assistance rolls.

Between 1985 and this last recession, in about five years, Canada had the strongest economic growth of all the industrialized world, with the exception of Japan. We outgrew the States, West Germany, Japan, France, Britain, but the social assistance rolls did not go down.

Many of the advocates say, "If we want to get people off social assistance, which is what most people want, then what we have to do is give them training, retraining, apprenticeship programs, the skills that they need, because a lot of the people who are on there don't have the skills that are needed in an ever-changing global environment."

The criticism of this budget is saying we are throwing more money at those people with temporary jobs that will last six months, but long-term down the road, four years from now, what you need to do is give them training so that, whether it be a single mother who has not had a chance to go to university, she has skills that are needed to get a job; whether it be a Massey-Ferguson worker who has been laid off and who is 50 years old and does not have the skills to get another job, he will get them. If you really want to help people, what you have to do is give them the skills and the training.

The big criticism of this government's budget is that it threw money at it, but it did not put any into upgrading the skills and training. Do you agree with that? Of course that is essentially what you do. What else can we do to try and give these people the skills and the training that are needed so that we can keep them working long-term, not just have short-term make-work projects?

Mr Born: The single most important issue, in my opinion, around social assistance reform that your government is facing is implementing the SARC report. It is a report that was developed and gave tremendous hope to a tremendous amount of people. It was supported by all levels of individuals. Even Conrad Black, who is one of your greatest critics, fully supported the SARC report. It must be implemented. It is a humane document. It will create many

jobs. But social assistance is a very complex issue, and the people who are on it are there for many complex reasons.

That is one of our specialties, taking people from social assistance into jobs. It is purposely one of our specialties, and we have many very highly qualified people who have years of training and experience working just with this population.

There are many problems that have to be dealt with, but I tell you, the SARC report is probably the most comprehensive document available to deal with that problem. When that is implemented, you will see one of the most progressive social welfare systems, I believe, in the world.

Mr Carr: Thank you and I agree with you.

The Chair: Sir, there are some other members, if you happen to have any extra copies. That is all you had?

Mr Born: I apologize. I brought 25 copies of the speech. I usually just bring one copy. I can sell them to you for \$2 apiece. It cost us money.

The Chair: The clerk is going to make copies. I was just asking. He is going to make copies for all members of the committee on the background of your organization.

Mr Born: I would love it if they could. I would appreciate that.

The Chair: Okay, fine. Thank you.

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RETAIL, WHOLESALE AND DEPARTMENT STORE UNION

The Chair: The next group is the Retail, Wholesale and Department Store Union, Mr Tom Collins, the Canadian director. Welcome to the standing committee of finance and economics and the budget review. You also have one half-hour for your presentation. At the end of your presentation, leave some time for questions and answers. You may begin.

Mr Collins: I am here as the Canadian director of the union to present some views on behalf of the members as we have discussed with them. I do not have a written report for you and this is the only presentation that our union will be making before the committee so that we can indicate to you how our members feel about the budget.

We represent a little over 20,000 members in the province of Ontario. Those members are in a number of the industries in the food distribution industry. They are in the bakeries and the dairies, they are in the retail department store sector and the retail food sector, a lot of independent operators, and one of the reasons I am presenting here in Brantford today is that we represent a lot of members in very small communities, whether it be small grocery stores, retail stores.

The effect of this current recession upon our people is as devastating as it is on any. We represent the lower-paid members in the service industry and society. These members are the ones who are affected by every glitch in the economy. Government statistics in previous years have shown that for every production job lost, that is, a good production job at good wages, there are approximately three service industry jobs that are lost as a result of that money not being in the economy and not out there to buy

everything in the restaurants and the stores and all these supporting industries that are involved. So it is very important to us to say what we have to say about the budget.

We also represent a large number of part-time workers in all of these retail operations who are students who are affected both by any cutbacks in education as well as their own ability to get hours and part-time jobs and finance themselves through the education system. We represent a large workforce of women. Over half of our workers are women workers in the workforce, and as a result we deal with all the problems that come with dual-income families and the necessity for those incomes to support those families.

It is our position that we want to congratulate the government on the fact that it has taken the position of that very radical theory that it takes some money to get things going. We believe that it takes money to get the economy going, and that particularly affects our members.

I am also here to represent taxi drivers. As you know, they are the economic barometer in society. Anybody knows, whether from Parliament Hill or otherwise, when you hop in that cab, particularly in Toronto these days, you will be talking to one of our unionized cab drivers, who will tell you all the same things I am telling you today.

But it is necessary to spend money. It is not a radical theory, and we believe that the government in proposing this budget has gone against the tide of what I know it fully expected would be some public opinion, but it is very necessary as we see it that the anti-recession program, the social assistance package that has been put together, the tax reductions for some of the poorer-income people and the non-profit housing are all necessary components to tide us over this period of time and to get us into a position for some kind of economic recovery.

I think it is quite clear to most people that the recession has been brought about by a number of federal government policies. I want to tell you what in effect they have done for our members and some of the things that are affecting our members and what potential damage has been done. The damage has been done, and the only way to deal with that is for the province to have some fight back and to try and hold the line in a number of areas and try to make sure that the economy continues to grow and goes forward in Ontario.

The cuts to federal transfer payments in health and education: Without the support necessary in Ontario, a lot of our programs would be affected and a lot of jobs in some of our sister unions would be affected. Of course, that means money that those persons are not able to spend in the service industries, money that those service industries are dependent upon. From our dealings in negotiations with the major retail employers, and we represent literally all of them somewhere, they have cutbacks this year somewhere around 10% in retail sales in the major department stores. We know that a number of those companies are not stable right now. The potential is there immediately for the loss of one or two or three of those players who will not be able to finance their businesses unless there is more money in the economy, more sales, more commodities able to be bought by the average working Canadian.

The high-interest-rate policies are affecting a lot of our smaller independent operators, who cannot get the type of loans they need at reasonable rates, cannot support themselves through those periods of time, and some of the government policies that have been brought through in the budget will help to alleviate some of that problem. We do not believe in any sense that that can be done by the provincial government alone, and certainly the federal government should take a look at the provincial program and should follow in kind some of the things that are happening.

The free trade deal in itself has probably done the most damage to our membership and to industry in Ontario. I am sure you have heard the figures over and over again, but I can tell you that the free trade deal in our industries in food production and so on, has had a tremendous impact. It has meant that businesses, even though they are very profitable in this province, and production facilities are being moved south. When I say south, I am saying to the United States, but also to Mexico and elsewhere. I have sat through discussions with major employers like Carnation, in a community not far from here, and Aylmer which closed a plant, and closed it based upon the fact that it was making \$1 million a year on that plant and that was not enough, so it had to move that production to California. So the whole concept of free trade and loss of protection for our industries and production here by the federal government is having a devastating impact on our people.

The high-dollar policy is promoting and encouraging the cross-border shopping, which is affecting all of our communities in the border cities. You have to understand from our point of view, it is not the companies that are getting hurt, it is the people. It is the jobs we are losing as a result of that money not staying here, because, you know, an A&P store just builds another store in Detroit instead of building it in Windsor. It closes Farmer Jack's in Windsor and it opens an A&P in Detroit. They are going to make the money either way, those corporate entities. So those type of policies on the high dollar that make it easy for people to go across the border—I think the statistics will show in the surveys that have been done that people are going over basically for price. That is what it is all about.

The GST as a federal program has had a devastating effect as well on our retail sales. Any of the retail employers will tell you that has been probably the major effect that has been upon the retail sales in this last year since January. Everybody expects that at some point they will come out of it; somebody has to buy a fridge again some day, somebody has to buy some more clothes some day but that will be stretched out over a period of time, and certainly any reduction or any lack of provincial government initiatives to provide through the budget support for consumer sales will have an impact that is much greater than it is today.

Speaking to those questions, and I would invite from the committee any comments or questions you might have about our industries and the ones we represent, the people we represent in the retail and the service industry welcome the budget that has been brought forward by the government. I do not think anyone is under any illusion that it is going to do everything that is necessary to spur invest-

ent, but it is certainly going to provide more confidence to some of the employers we have to deal with, some of the ones in the medium range and small industries that may need some support in interest rates. It is going to provide more consumer dollars above all, and more consumer dollars will mean that there will be jobs created in a lot of those retail industries, jobs created that are necessary and jobs held that will be necessary.

Certainly any reduction in the budget and any loss of jobs that would be involved in the health care or other industries will be consumer dollars that are not available in the service industry. So from the point of view that we meet the consumer across the cash register, and that is where the dollars are spent in most families, that is where the effect is going to occur on our people. We welcome at least the effort by the government to not reduce, to not cut back, whether it be jobs or in dollars, for the purposes of somehow reducing the debt.

I invite any questions you might have.

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Mr Kwinter: Thank you very much, Mr Collins. I was interested to hear some of your comments, and I have heard similar comments from other labour representatives. One of the major thrusts that they complain about is the high dollar, saying that it is making us uncompetitive. It sounds reasonable, but the other day I was listening to one of the presenters and it seemed to me that—who is to say what the value of that dollar should be? In fact, labour is saying: “If we have a 20% subsidy, we can compete. If you put on a level playing field, we can’t.” I know you are going to say that is not true, but could you comment on this?

In 1971, exactly 20 years ago today, the Canadian dollar was at \$1.01. Unemployment in Ontario was at 5.4%. We exported \$17 billion worth of products and imported \$15 billion worth of products. So we had a trade surplus, we had very low unemployment, interest rates were quite low and the dollar was at a premium. How do you respond to that?

Mr Collins: There are a lot of factors that have happened since 1971. I think you cannot address or attack without discussing the tax situation at that time; without discussing the trade situation at that time; without discussing, in particular, many of the protections that were in place at that time to protect some of the industries and growth of industries in this province—and a larger tax base and based upon a lower unemployment. I think you have to take all of those into consideration.

I do not think we want to say, in itself, that a high dollar is going to address all the problems that are confronting this government or this economy, but it is one of them. To be specific to our industry, the retail industry, it is certainly one where we are sending those dollars across the border simply by the fact that we have the dollar where it is.

We are not talking about a country in which we are letting the dollar float to the other currencies. We are talking about a managed dollar. We are talking about one directed by government policy and the Bank of Canada, which is artificially set for whatever reasons of economic policy the federal government has.

Can I account for what happened in 1971? I would say we had a nation in 1971, as well, in which there was a lot more confidence in the economy, in which we had some faith in some of our federal institutions, and I think everybody was very much in a growth mode at that point in time.

I think the federal government policies have dramatically affected, since that time, the confidence in our economy, the confidence of our employers and the confidence of our workers. I think that will account for much of the change that has occurred since 1971.

Mr Kwinter: I would like to correct you. The interest rates are controlled by the government, not the dollar. The dollar is on the market and it is what people will pay for it. The government can support it a little bit if it feels it is dropping, but cannot really control the price of the dollar. All the government can do is keep the interest rates where they are, and that is what I want to talk to you about.

Interest rates have been falling steadily over the last several months, and most economists maintain that the reason our dollar is so high is because our interest rates were so high. Because people wanted to invest in Canada to get that rate of return, they had to buy Canadian dollars, which was keeping the value of the dollar up. We have a situation where the interest rates have been dropping rather dramatically over the last several months and the dollar has been rising. Do you have any explanation for that?

Mr Collins: No, I do not.

Mr Phillips: I was surprised that someone representing a major labour organization comes in and praises the budget that calls for the level of unemployment we are going to see over the next two to three years. I was curious about why you would not have commented on the fact that a year ago Ontario had the lowest unemployment rate in the country, where now four provinces are better than ours.

My question really is this. I think one of the challenges for the labour movement is going to be that first you, I think officially, support the NDP, the government, even with funds. You have a vested interest in them getting and staying elected. But you also represent your members, and there may be examples where those two are kind of incompatible. Certainly as I look at the budget, my concern is about job creation, economic activity, the thing that you have talked about of the employers being in an environment where they are going to create more jobs for your members.

I realize that at this stage, you congratulate the government. What happens when there is a conflict between the interests of your members and the government, particularly around the job creation area? How will you reconcile that?

Mr Collins: If there is a conflict, we will of course address it. Whether we are affiliated with the New Democratic Party or not, we have never been quiet about addressing our concerns on behalf of our members on any particular subject, so I do not fear that will occur.

Yes, we are concerned about unemployment. I think the consensus of the labour leadership is that we know where the unemployment is coming from and we are trying to get some of those federal government policies turned around, and the free trade agreement, so that we can help the situation.

I guess the provincial government could go into greater debt; it could do all kinds of things to promote jobs. I think you have to take a reasonable course, and I think they have taken one to support at least the existing jobs in some of the health care industries and so on that we have—that there are not going to be cutbacks, which we know will result in some loss of jobs, whatever that is, and some loss of consumer dollars. I think there are forces, because of the free trade agreement in place, that are drawing so many jobs so quickly from the economy of Ontario that it is not likely, unless that policy is reversed, that we are not going to see a continued drain on the jobs in Ontario.

Mr Phillips: Did you have any criticism of the budget at all?

The Chair: Excuse me, I have to go on.

Mr Carr: Thank you very much for your presentation. I appreciate your coming here this morning. I, like you, am concerned about high interest rates. I have a family, and in case some of you did not notice, those three gorgeous little children who came back in just a few moments ago are my kids. In the early 1980s when our friend Mr Trudeau was Prime Minister, I renewed a mortgage at 21%. So if we think they are high now, we can remember what they were like during that period of time.

As you know, the big problem we have with a lot of the public expenditure right now is the interest on the debt alone. We have been here about two hours, I guess; since 9 o'clock, and we are coming up on 11 o'clock. In those two hours, we will spend—it has been estimated conservatively at anywhere from \$800,000 to \$1 million an hour, 24 hours a day, seven days a week, 365 days a year, not to pay for social programs, health care, the environment, but just to pay the interest on the provincial debt alone. That is \$13,000 a minute. As you know, being in the retail business, businesses cannot do that. Those that try to overextend themselves and do that end up like Robert Campeau. They go out of business. Businesses cannot do it; families cannot do it. I cannot go out and get a mortgage. But when it comes to governments, they can, because what they do is they pass the deficit on to their children.

My question to you is this: What do you say to those people—and some of them may be people in your unions—who say spending \$13,000 a minute just to pay the interest on the provincial debt alone is a total and absolute waste of money?

Mr Collins: Well, I think I say to them something they already know, in the same fashion that you have talked about. You have a young family, so you go out and get a mortgage on a house and you prepare for an investment for the future. You pay tremendous amounts of interest on that mortgage for the purpose of having security in the long run, having the security of your family and having them looked after. That is the same approach the government is taking. We are at a bad time. We are planning for the future and not just today. And that is the purpose, as I understand it, of the budget: to get us over some of that period of time. That is how I would respond to my members.

My members understand that fundamentally, because they know the value that the programs in health and educa-

tion have been to their families, and they know they do not want to give those up. They feel, in the long run, that this is the best approach at this point in time. I think beyond that, statistically, if I had to show them that, they would see that the amount paid towards debt in this province is much lower than it is in many others in terms of percentage. I think my members understand that, and they understand fundamentally, that if they do not have a job at a place because there are no consumer dollars out there, that drain is going to occur on all of them.

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Mr Carr: That is right. My wife, who is also here, might have wanted to get a home in Rosedale or a beautiful place in Oakville, but we could not do it. We knew we had to get something that was within reason, that we could pay back, and that is what we are saying is happening. You do not overextend yourself. You get something you can afford. And this budget—you cannot afford it.

Specifically for your workers—and Mr Phillips touched on the point of your responsibility being to your members, not to support this government. There are those who would say instead of spending \$700,000 for a program that will buy infrastructure to put roads in communities, or whatever officials in Toronto will decide, if you really wanted to help your workers what you should be doing is pushing, for example, for a cut in the retail provincial sales tax. As you know, under the Liberals it went from 7% to 8%. That cost \$1 billion to consumers, that 1% increase. It could have been done, to reduce that, to spend investment in your particular industry.

As you know, we had a chap in when your group made a presentation before the standing committee on administration of justice on Sunday shopping, and he said they are going across the border for three things. They are going across for booze, cigarettes and gas, all of which are increased in this last budget and for all of which the biggest factor in there is tax increases. It is the taxes on those things that are making them uncompetitive.

My question to you is, if you were really representing your particular workers, why would you not be advocating a reduction in sales tax that would help your particular workers, rather than coming here and supporting a government which is putting money into other programs which really will not help your workers?

Mr Collins: Without playing my own membership against each other, those infrastructures will be serviced by my cafeteria trucks, by my vending trucks, by all those other people in our industries that we represent. Anywhere that there are people who are going to work, it is going to affect our people, whether it be in retail or whether it be in trucking or warehousing or in service: in cafeterias, hotels, restaurants. So we are served by that notion in any event.

A reduction in sales tax is a noble concept, I think, and one that we would certainly support in times when it was beneficial to do so. But that would again mean a reduction in the revenues of the province and it would mean a reduction in jobs. They are directly related. So whether they were our jobs or somebody else's, if the guy down the street does not have a job because of a reduction in sales

x and he is not spending the money, we are not going to get the benefit of that, because they are not going to be spending those dollars.

Mr B. Ward: Mr Kwinter mentioned 20 years ago, 1971, about the economic times during that era. I would like to go back 60 years, to 1931, when we had little or no federal debt, the federal government was running balanced or surplus budgets and yet we were at the beginning of the worst depression that we have ever experienced in Canada. So it is very hard to relate different eras.

This is 1991. I would like to look to the future, and that is what our government is trying to do. We have had some criticism from groups lately that are expounding the virtues of a balanced budget during these tough times. From our perspective, to balance the budget, \$9.7 billion would have to be taken out of the Ontario economy during these tough recessionary times. I know I am not an economist and I do not think you are, but from layman's terms, what do you think would happen if we withdrew that amount of revenue from the economy during these times?

Mr Collins: I can speak only in terms of our industry. There would be some major players in the industry gone. It would be as simple as that. I mean, there would be thousands of jobs lost in the service industries. Some of those that are borderline companies and big companies now would not be able to support without that level of retail sales that they need to project ahead and move ahead.

It is an obvious sort of thing that it takes money to run an economy. It takes money in the economy. It needs consumers. Particularly in our industries, we need consumers. The more money that can be spent on items other than the absolute necessities, the more that will spur on the demand for consumer products and the production and the warehousing and everything that goes with that. So I would say that at this point in time it would be disastrous for this province, knowing what we already know about the loss of jobs to free trade.

Mr B. Ward: One other question, and it is not really a budgetary item. Our government is attempting to develop new partnerships between labour, business and government, working together for the betterment of the province. We think that is the way to go in the future. It works in Germany; it should work in Ontario, and in Canada for that matter. Do you think that goal is achievable, or do you think that we are off base?

Mr Collins: Certainly it is achievable, and I think we are already seeing the signs of it. Without getting into a lot of details, our union is currently participating in some of the training moneys that have been available with some Canadian companies, in Ault's in the Labatt's organization, to try to upgrade skills and do sorts of things to protect the long-term interests of those jobs and those members. I think you will see a lot more of that as the government brings these parties together, because the co-operative aspect of it will be necessary.

If we cannot overcome some of the other policies that are out there, what companies we have left in this country will have to consolidate and compete for the purposes of what few commodities they are left to produce in this

province. So I think, yes, those companies that intend to stay here and intend to work with the Ontario workers and the Ontario government will spend a lot more time in these co-operative ventures.

Mr Christopherson: I want to thank you very much for your presentation. It was very enjoyable, very thorough.

You talked about consumer confidence. I would like to just focus on that a bit. Before I do that, I would like to also mention that I found it interesting that Mr Phillips wanted to talk about political contributions from the labour movement to the NDP when it is well known about the political contributions by banks and the insurance companies and other major interests in the economy and their contributions to the other two major parties.

Anyway, my question to you is, you have talked about the fact that this budget is a bit of a consumer confidence-builder and that helps your membership, because it means that there are dollars out there, and you are certainly not alone. James Frank, chief economist for the Conference Board of Canada, has agreed that it is a confidence-builder with regard to consumers.

In light of the first piece of legislation we passed, which prevented provincial sales tax from being put on the GST and keeping about \$500 million in the hands of Ontario consumers, do you believe, since your people are the end recipients of that economic activity, that that \$500 million kept in the pockets of consumers during this recession was a good economic move in terms of maintaining jobs in the economy and providing some economic stimulation?

Mr Collins: You can directly translate that into sales dollars somewhere, and sales dollars will mean jobs and security. So, yes, there is no question.

Mr Jamison: This could take off on what Mr Ward had said. Certainly it has been a major effort on the part of this government to try to promote, where we can, the idea of partnerships in the future in areas where labour and business can work together, although, again, over the budget we seem to be hearing totally different views. I will give you an example and I will ask you how you would feel about this.

Just two days ago we were listening to the chamber of commerce from London and they wanted a balanced budget this year. They wanted restraint in spending to a very large degree and indicated that a 10% cut across the board in every ministry and in every area was what they would like to see. That would amount to about \$5.2 billion. How would you feel about that if the government were to go in that direction?

Mr Collins: I would suspect in that case that chamber of commerce would not have to worry about some of its members very shortly thereafter, and particularly its independent members. They are dependent upon consumer dollars, and employees of the government have consumer dollars. I know enough about London to know that—I have lived there and I have worked there for many years—so I know also that there are a number of independent businesses that expressed even at this point in time how they will survive through the next six months or so without increased sales. So I would say to you, I think they have

got the absolute wrong approach in terms of consumer dollars and in terms of their businesses.

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The ones that will survive it—and there are those that propose it—will be the big ones. The big ones will survive off the money they have in New York or in Washington or Chicago or wherever, in the dollars they have to invest. Of course, their long-term goal is that if you put enough of the independents out of business then you are going to pick up their volume and their sales and that will be your profit and your dollars. We have dealt for a long time with too many large corporations to know that that is exactly the game plan. If you can squeeze out everybody else, then the bigger corporate entities will take over. In some, I would suspect in the chamber of commerce, that is in their interest.

The Chair: I would like to thank you, Mr Collins, for appearing before this committee.

STEPHEN HERSHEY

The Chair: Mr Hershey is the next presenter. Would you come forward, please. Are you representing yourself?

Mr Hershey: Myself.

The Chair: Okay. You have 15 minutes, and I would like to welcome you here to the standing committee on finance and economic affairs on this budget review. In that 15-minute period, you can keep some time at the end for the three parties to ask questions on your presentation. You may begin.

Mr Hershey: Thank you very much. I appreciate the opportunity to appear before you. I am a United Church minister, until recently serving a small rural church outside of Simcoe, Ontario. I come also with a background as one who had some things to do with the forming of a food bank in Simcoe. Until the end of June, I served as the chair of the Haldimand-Norfolk Committee to End Violence Against Women, and presently I am serving as the supervisor of a program focused on street youth in Hamilton, a drop-in program that attempts to provide resources to people who find themselves literally living on the street.

Therefore, I come with a very specific kind of perspective, and it is a perspective that I find supported in the comments of John Kenneth Galbraith, who I anticipate has been oft quoted in the conversations about the budget, but again to review his introductory remarks in the article as it was reprinted in the *Globe* at the end of May:

"It is truly remarkable to encounter an issue of major popular concern and discover that almost everyone agrees on how to respond to it. That issue is the recession and what to do about it. The response by all levels of government is an array of measures designed to make it worse. With the notable exception of the province of Ontario, governments everywhere are tightening budgets, curtailing services, reducing payrolls, furloughing workers or promising to do so. Individuals immediately affected, needless to say, have their spending and resulting support to the economy promptly reduced. Many, under threat of unemployment, are impelled to retrench. So are those receiving welfare and other payments not being curtailed or threatened with curtailment."

There are essentially two comments that I wanted to make in response to the proposed budget. The first comment related to the kind of media fanfare that accompanied the recognition of the size of the deficit. I was greatly concerned that the size of that deficit was being identified but not the aspects of that deficit, not the realization that tax revenues are decreased, as we know by the recession without the realization that federal revenue to the province was being decreased, and also the incredible increase in costs of social assistance as people moved first on to the unemployment rolls and then to social assistance rolls. The costs both to the municipalities and to the province were skyrocketing. I was, as you might imagine, greatly concerned with the federal budget direction of capping payments, certainly to the province of Ontario. Within Haldimand-Norfolk there certainly is no exception there. Mr Jamison, I suspect, would confirm, in probably more detail than I, the size of the increase that has been going on in social assistance. That is the focus of my first comment.

The second comment relates to those whom we term to be "marginalized." Those who are marginalized are those who, through a variety of circumstance, do not participate in the mainstream of our society, even of our communities. The ones we are talking about are those who are victims of abuse, be it sexual abuse, physical abuse, emotional abuse, be it abuse that has happened as children or abuse that has happened as they have come into adult life. But it, none the less, is abuse which within a person's psychology can create a sense of being a victim and, as victims, unable or unwilling to speak out on their own behalf.

I would want to identify further groupings within those who are unable to speak: those who suffer from psychiatric disorders who, because of previous governmental decisions, are not able to live in the kind of structured environment they need, but rather are sent to the street with their bottle of medicine and told, "Take one every day," but, by virtue of their disorder, are not always able to provide their own support to themselves.

We need to look at further groups, in which we might include those who are physically brain-damaged who, through no fault of their own, through a variety of accidents, find themselves with skills but not always just the correct skills to fit into the kinds of systems that we establish for education, for job training and so on.

Further are those who are developmentally delayed, what we formerly called the mentally retarded, and again the kinds of needs that they have and the ways in which they do not fit into the mainstream.

So to me it was critically important that in this budget proposal, as it was presented to the Legislature in April, not only were increases being given to the whole social assistance area, increases in excess of merely the rate of inflation—because anyone who has had any involvement with the social assistance field will know that the present rates are far below any kind of need level—but also that money was being put into, as one said, "Putting the Transitions report of the Social Assistance Review Committee back on track, recognizing and establishing that the system doesn't quite fit in a lot of ways, that there are a whole variety of people who don't quite fit into the sorts of definitions

we make and the very broad sorts of systemic brush strokes in which we try to establish our assistance programs."

So to me it was critically important, as I say, that the government was willing to respond to fight the recession, to make that very conscious and, I would say, courageous choice rather than merely fighting the deficit. It is in these two areas that I would offer my comments in support of the budget as it was proposed.

Mr Carr: Thank you very much for your presentation. As you know, one of the concerns that has been leveled against this government is that there have been no controls in terms of the spending, and there have been examples. You may have heard about the chairman of TVOntario, who has nine TVs in his office and a chauffeur at \$51,000. They spent \$2,000 to send a Japanese businessman down to a Blue Jays game. Zanana Akande spent \$54,000 for new carpets in her office. A lot of people are saying that rather than moaning and pointing to other levels of government about transfer payments you should look at your own house and see where the spending is going and where you can eliminate abuses.

What do you say to those people who say that instead of complaining about what the federal government is doing or the municipal government, you should get your own house in order and start to get rid of some of these abuses that have been laid out? What do you say to those people?

Mr Hershey: I do not want to sound flip, but I would agree, we all need to have our house in order. It was suggested to me that I could spend time on what has happened at the federal level, but it seemed to me that that was inappropriate.

Mr Carr: It is.

Mr Hershey: The reality is, this is the situation in which we are living, and my response is that then we respond to it. It was within the context of the capping of transfer payments that the budget was devised and designed in trying to respond to that reality. Yes, one of the consequences is an increased deficit, but none the less it does not remove the requirement that we respond to the individual needs of our communities.

Mr Jamison: Your presentation was very enlightening on the social side of things. I think it is very important that all of us as politicians here listening to the public at large understand the type of devastation going on, not just with people being laid off but the added pressures that are on all of our identifiable social groups that are there to try to assist. I wonder if you can expand for a moment and enlighten all of us here to the need that is ongoing and developing in probably all of our communities, in what you can put down in a number of words, in your experience, the effect on people's everyday lives this recession has caused.

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Mr Hershey: Certainly one of the areas in which I can provide a broad response is in terms of the food bank, Simcoe's Caring Cupboard, that was established this spring in the community of Simcoe. It was anticipated that this food bank would be responding to something in the order of 25 requests a week. The food bank was devised out of three churches coming together and wanting to provide

a co-ordinated response. On the very first day we opened we had 29 families coming to us and the numbers continued to escalate, so that by the end of 9 or 10 weeks of operation we had responded to 400 families, substantially higher than our expectations. The expectations were not unreal, they were based on the experience of the three churches.

Within our experience of those families, we discovered on our second day the need to have a box of Kleenex sitting on the desk as people came into the Cupboard because of people's sense of embarrassment. They were brought up as children that you take care of yourself, you take care of your family and it is your job, in a privatized kind of way, to respond to the needs. They found themselves not able to respond and so were coming to us for an emergency supply of groceries.

More recently in my work in Hamilton with the street youth, one would anticipate that the social assistance system was somehow to be a co-operative kind of system, that somehow it was put in place to enable people to provide for their own means by the issuing of a cheque each month. One fellow with whom I have contact—

The Chair: I am sorry, I am going to have to cut you short on that answer and go to Mr Kwinter for a couple of minutes.

Mr Kwinter: Mr Hershey, you talked about your involvement in the food banks in Simcoe. I would like to read a quote from someone who is also involved in food banks and get your comment. This is from Gerard Kennedy, who runs the Daily Bread Food Bank in Toronto. He says—this is his quote, by the way—"This budget ignores the poor entirely. There is about \$12 per person per month possible extra for people on social assistance, so the word for food banks is not very encouraging." Is your reaction the same?

Mr Hershey: I would not be quite so negative as Mr Kennedy. If I were to be given my biggest druther, my druther would be that substantially more would have happened. But I recognize also that we live in a reality in which there is a whole list of conflicting demands that require us to negotiate how we respond to a variety of situations. In one respect I would say food banks were given more work to do, but I would also want to acknowledge that the causes for that are more than merely within the mandate of a provincial government. I would also say that what could be done was done, again, given the list of conflicting demands.

The Chair: I would like to thank you for appearing before this committee.

BRANTFORD CHAMBER OF COMMERCE

The Chair: The next group is the Brantford Chamber of Commerce. Would they come forward, please? I would like to welcome you here before the standing committee on finance and economic affairs on the budget review. You have one half-hour for your presentation. You can leave some time near the end of your presentation for a question-and-answer period on your brief from the three parties. If you would identify yourself for the purposes of Hansard, and you may begin your presentation.

Mr Bateson: Thank you. My name is Terry Bateson. I am the treasurer of the local chamber. I guess my comments today are from the membership of the chamber, which is largely business-related. We are a group of small businessmen, and in some cases large businesses, in the Brantford area who have concerns essentially about the effect of this budget on business. But it goes beyond that, obviously, because what is good for the people is good for business, and what is good for business is good for the people, I guess. Based on that I have a few issues I would like to—I am not really speaking to the individual items in the budget itself, but more the overall effect of this deficit. Brad and I have already squared off on this subject, he has his opinions and I have mine. I guess I have my—

Mr B. Ward: We agreed to disagree.

Mr Bateson: We agreed to disagree. So, I have my day in court here. Anyway, the biggest concern the chamber members have is the quantum of this deficit; \$9.7 billion is a considerable quantum and I hear tell recently that this \$9.7 billion may be a pipedream, that in fact it is probably going to be worse than that.

Obviously the government spending into a deficit of this magnitude is going to have an effect on the economy of Ontario. Obviously this spending has to put upward pressure on interest rates. I believe the marketplace is already feeling that upward pressure. What I read says that interest rates are headed upward in the short term and I suspect this government has contributed to some degree to that. Because of higher interest rates, or the potential for higher interest rates, we have also got to consider the effect that may have on inflation and that it will fuel inflation and will contribute to this recession.

Inflation, the federal government—and I do not mean to quote them in front of you—but we are talking nationally of an inflation rate of somewhere around 3%. That is a target. Whether we achieve it or not is another question but I say to you that this budget by itself is having a negative effect on that attempt to rein in inflation.

By virtue of creating this deficit, it has to be addressed at some point whether we are talking about the deficit itself or the interest on the deficit that will have to be added to the bill next year. No matter how you cut the mustard, ladies and gentlemen, you are going to have to increase taxes somewhere down the road with this spending. You have to in order to offset the debt that is being created. I understand the bulk of this debt is being created essentially through continued social spending. I do not know that the budget in itself said that X amount of money was going to be spent on programs, and certainly this was not \$9.7 billion of new money being spent on new programs. I believe the \$9.7 billion merely came through the increases in the existing programs or the cost of administering existing programs.

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A great deal of this, of course, is social assistance which in a recession obviously has to increase. But if we talk about further increases in taxes, I suggest that the main beneficiaries of this budget are going to end up being the merchants of Buffalo and not the citizens of Ontario.

Furthermore, again from a business standpoint, if we have higher taxes and if we have higher inflation, it certainly going to cause us to be less competitive in world markets, which is where our business people have to compete.

I can also suggest that this method of handling recessions, and by that I mean the statement that the NDP government is “going to spend its way out of this recession”—and I will wrap quotation marks around that phrase because it was used—I think it has been proven in world history that spending your way out of a recession does not work. I point to Sweden, I point to Britain and I point to France as examples of governments that have tried this type of program to spend their way out of a recession. It has not worked before and I do not think Ontario is any different. It is going to have essentially the same effect here.

There is, incidentally, in trying to get a grip on the budget's attempt to assist business—I am not familiar with the exact numbers—included in the provincial program a assistance program to struggling businesses. But it was noted, and I am speaking again on behalf of our members that to qualify for this I believe you had to have sales in excess of \$10 million. The number may be wrong, but it was certainly a fairly large number and you also had to have at least 50 employees before you qualified. I am quoting directly from some of our members when I said that the feeling now is that the NDP government is definitely in favour of labour, as long as it is large and it is organized. I am quoting from several people on that issue.

The deficit, furthermore—we are talking \$9.7 billion in the current year; we are talking a similar number next year and a similar number following and I understand that by the time we are all finished there is going to be an accumulative deficit of around \$50 billion in this province. That is about five times the present number. I find that the numbers are staggering to a business person who has to balance revenues and expenses. You do not stick around for very long if you do not. Basically, the deficit that is going to be in place when we are finished with this program has to be borne by somebody. We are taxing future generations and I do not see that as being healthy economically.

Last, there has been talk of this deficit attempting to assist with job creation. The jobs being created, in my mind, are the types of jobs that—and I call them phantom jobs—are created and government-funded and they are only jobs as long as the government funding remains. As soon as you withdraw the funding the jobs evaporate. Basically, that, I am talking about the proliferation of organizations, even out at Brantford, that are attempting to help and it is all by government funding. I say “attempting to help whatever element of society, but there is certainly a lot of money being spent creating jobs that will not be here once the funding dries up and I will just leave it at that. That is essentially the extent of my comments and I will try to answer any questions.

Mr B. Ward: It is a pleasure to have you before us and to express the views of the chamber of commerce. We have had meetings in the past and I look forward to having more in the future, particularly the parliamentary assistant for the Ministry of Industry, Trade and Technology, Norman Jamison, whom you also will get to know in the very near

ture, the parliamentary assistant for small business and industry. We look forward to working with you, not only for encouraging investment in the areas of Simcoe-Brantford, but overall.

Brantford has received a large portion of government funding or government revenue over the years. In fact, some people say there is an overreliance on the city of Brantford to count on either the federal or provincial government. It always seems to be the pot of gold at the end of the rainbow. Is it the position of the chamber of commerce representing Brantford and area that government funding of the extension of Highway 403, which will cost \$72 million over the next four or five years, the \$800,000 for the sound barriers that will be presently constructed, the \$4.6 million from the anti-recession package, which primarily went to private sector contractors—I think of Haver Construction, that received the contract to reconstruct Huron Street as a specific example—as well as replacement of the boilers at St Joseph's Hospital, which is always attempting to fund-raise in the city of Brantford for additions etc, to better the health care service in the city, is the Chamber of Commerce representing Brantford and area opposed to that type of expenditure? During these tough times, should we be looking at cutting that aspect?

Mr Bateson: I am going to speak personally for a moment. You talk about that kind of expenditure. Let's face it, the government is a spender and a dispenser of services and owes its existence to the need to provide services. This community needs services the same as any other community and if anything, the Highway 403 extension is long overdue. I do not necessarily care what political party is in power; I say that is a service to this community and it is needed and therefore the money should be spent, when you keep in mind that this community in the past has not been on the receiving end of a great deal of government favour. It has not when you look at some communities, and I will speak specifically of Sudbury and the favour it got from the federal government and Kingston and the favour it got from the provincial government.

Mr Stockwell: Kapuskasing.

Mr Bateson: We can go on and on about the communities that received a real shot in the arm. I am talking about a real shot in the arm. The Revenue Canada office in Sudbury, look what it did to the community. There has never been anything like that happening in Brantford. There is money being spent on Highway 403; it is very nice. There was as gift to Communications, thank you very much; we do get some of it. I just say to you that governments can, and by themselves, give communities an enormous shot in the arm by doing things like bringing the communications department to Brantford in 1995.

Mr B. Ward: Constructing a new building.

Mr Bateson: Yes, all those things we are grateful for, but on the other hand we talk about budgeted deficits. The money has to be spent responsibly. You cannot just throw money at things in an attempt to solve the problems.

Mr B. Ward: By co-operating, like business, labour and government learning to work together locally, provincially and nationally, I think we can be more effective as

government, rather than having all the groups fighting among each other. That is encouraging.

Mr Bateson: I hear that phrase and I see it quite a lot these days, co-operation between those three groups. It is not there yet, but ideally it will happen and if it does, God bless us all.

Mr B. Ward: My last question is a non-budgetary item: the issue of Sunday shopping. I believe the chamber of commerce locally has been opposed to it. Has that changed?

Mr Bateson: No, it has not.

Mr B. Ward: And the retailers have stuck together?

Mr Bateson: It is still essentially opposed to Sunday shopping.

Mr B. Ward: Okay, thank you.

Mr Phillips: Just a comment before the question. You indicate some concern about the \$9.7-billion deficit. We heard yesterday, from no less an authority than the parliamentary assistant to the Treasurer himself, that things are right on track, that you should not worry about it and that it is the maximum deficit. I hope he is right.

I think the numbers may be even more troublesome to you than you are aware of because you said "spending our way out of recession." Our concern is not only spending during a recession but, when the recession is over, deficits ad infinitum. The deficit never gets below \$6 billion or \$7 billion. By the way, in three years it assumes \$5 billion of new taxes just to get to that deficit of \$7.5 billion. I do not want to alarm the chamber any more than it perhaps already is, but I think the numbers may be mildly worse than you think. That is our concern, just what kind of economic environment we are creating where we can attract individuals to create jobs.

We have heard conflicting evidence. We have heard: "The recession is now over. We're well on the way to economic recovery, and stop worrying." You are pretty close to the situation. How buoyant is that recovery, and will this budget help in that recovery or will it slow the recovery down?

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Mr Bateson: I have already said that I think the budget by itself will have a negative impact on this recovery by virtue of what I have already said, and I will not repeat myself. You asked me, "Are there signs of recovery here?" I think there are signs that we may have seen the worst of it. Yes, there are some signs of a recovery. How long it is going to last is a serious question. The lost jobs we have witnessed in this community are not going to come back right away. It is going to be a slow, painful rise out of this recession.

We at the chamber believe we are becoming less and less competitive. A lot of the jobs we have lost in this community are to Tennessee and the Carolinas and the like. We hear about their wage rates and their benefits costs. I will speak specifically about workmen's compensation. That is becoming a serious issue. If we cannot compete with our neighbours, we are not going to be in the business very long.

There will always be an economy in this province because eight million people, or however many we have, are

not all going to up and move in the next period of time. We are here and it will be an economy of one kind or another, but we are going to lose our manufacturing jobs to our neighbours if we are not competitive and I do not know how you replace that. I am not an economist.

Mrs Sullivan: The question I have really follows precisely on the train of thought so far. One of the things we have had some great concern about on this budget is that there is a measure of lack of confidence being evidenced throughout the business community from financial analysts and from people who are looking to business expansion or even to establishing business. What is being said is that this budget does not create the climate to attract new business investment in any way. We know that capital is fluid and that it can go anywhere in the world. What we do not see is any reason for it to be coming to Ontario.

The other aspect of that question, of course, is the uncertainty that is being created for the business community: the immediate cancellation of the Ontario current cost adjustment and the uncertainty surrounding environmental legislation where rules have changed midstream and so on, which are not specifically budgetary issues but have certainly added to the investment climate that is problematical. How do you see that kind of climate affecting long-term capital investment in Brantford? Do you see any signs of anything new coming on the horizon, or do you see this budget in any way helping or hindering capital investment in this area?

Mr Bateson: That is a pretty broad question. I do not know that this budget by itself is having an impact. It is having an impact provincially, I think, and therefore by deduction it affects this community. I cannot speak of specific issues there.

I am sort of a consultant to business, so beyond my treasury role at the chamber I sort of have my ear close to the ground, if you will. I see evidence of businessmen who are relieved a little at the fact that the economy is not getting any worse, but I do not see them rushing out to make capital investment as you talk about. There is no one I know who is out borrowing money these days on the concept that this economy is turning around and that there is going to be a shortage of capacity in the near term. There is not. I think that lends credence to what I said earlier, that it is going to be a slow, painful recovery out of this recession. There is no business confidence out there, just none.

Mr Kwinter: I would like to get your comment, Mr Bateson, on sort of an impression I have been getting during these hearings, that the government is saying it wants to have a partnership among business, labour and government. On the other hand a lot of the labour representation, a lot of the people representing social welfare organizations, come forward and they see business as being the culprit, the enemy, the reason for a lot of their problems and that if it were not for the greed and the profits of businessmen and the wealthy, everything would be a lot better. How do you respond to that?

Mr Bateson: Have we got an hour?

The Chair: You have 20 seconds.

Mr Bateson: There is a marketplace out there that prevents any individual from making a killing at anything. The marketplace is a great leveller. If an individual is profiteering today, he is probably not profiteering tomorrow because there are five or six people who jumped on the same bandwagon. That is true of any industry. I witness, for instance, the video stores today. There is no one company controlling that.

The Chair: Excuse me, I have to go on to Mr Stockwell. Maybe he can ask the same question and use his seven minutes up.

Mr Stockwell: No, I do not want the answer, actually. The previous deputation said there was a lot of focus on the \$9.7-billion deficit and that concerned them. In a way that concerns me as well. Just as a note that you could take back to your chamber, the concern I have is the deficit. It is large. It is going to be cumbersome. I think it is irresponsible, etc. The other things that are built into this budget—and I am not sure that you know them or your chamber knows them, but it is good that you would—the \$8 billion in new taxes over the next four years. The \$8 billion is a significant amount to impact on the community and the province of Ontario. That is a lot of money. In my opinion, it is going to have a negative effect on business, on all kinds of people.

The \$35-billion deficit that they will incur in the next four years: People do not seem to understand that in the first 125 years of this province we incurred \$35 billion in debt. In the next four years, under the socialists, we are going to double that debt. The totally inflated growth numbers that they have included—which means that if they do not achieve these totally inflated growth numbers, I think it is \$3.5 billion the first and second years, then that means either the taxes must go up or the deficit must rise above what the projections are and they are already projecting \$35 billion more.

Have you reviewed the budget to such a degree that you have seen these kind of figures and, if so, if you could comment on them, what kind of things are you hearing from the private sector, the capital investors, the risk-takers, the venture capitalists? What are you hearing from them and where are they going? Are they staying, are they biding their time or are they fleeing?

Mr Bateson: I think, to answer your last question, most people are taking a wait-and-see attitude. I think, to some degree, this \$9.7-billion deficit is an estimate. We have not seen a final accounting yet, although it is going to be there; that is a given. It just may be quite a bit larger. I think most people are taking a wait-and-see attitude at the moment. There is not a mass migration, if you will, of businessmen.

There is certainly disillusioned business out there. I am going to go beyond this deficit. The disillusion currently is over the other items of legislation that are put on the table that are anti-business. I will just call them that outright anti-business. It is creating a climate in this province that is not very nice for people in business. I do not know how you can resign your directorships fast enough in this province right now because of the liability. I do know I attended a

conference recently on how to insure myself against this potential liability, and I should not have to do that.

Mr Stockwell: If this is adopted, if this mistake—it is the big mistake in my opinion—if this big mistake is adopted and implemented over the next four years, what do you believe the reaction of business will be? I personally think they are going to leave, frankly. Any risk capital is going to leave simply because there are greener pastures out there. What do you think? If this \$9.7 billion, \$35 billion over four years, \$8 billion in new taxes, etc, etc, is adopted, what do you see happening?

Mr Bateson: When you say “a flight of capital,” I do not think we will witness a flight of capital. I think you will see that people will see better opportunities elsewhere and what you will get is stagnation within this province. People cannot really just pull up and take a walk right now. They cannot do it because you would have to liquidate and you would liquidate into the worst marketplace in the last 10 years. So there is not going to be a flight of capital. I do not think you will see that. But I think the people who end up having capital for one reason or another will probably put it somewhere else because the opportunities will be better.

Mr Carr: I had our friends in legislative research prepare what the interest payments will be on the provincial debt; so it is non-partisan. They used the Treasury figures. This was done even before the downgrading of our credit rating. Just so you know, it is going to cost us by the end of the mandate \$7.8 billion a year, or \$583 million a month, \$134 million a week, \$19 million a day, \$800,000 an hour and \$13,000 a minute. The government says, based on the revenues, that is manageable. As a business person looking at \$13,000 a minute, 24 hours a day, seven days a week, not to pay for health care, not to pay for the environment, just to pay the interest on the provincial debt alone, is it manageable?

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Mr Bateson: I think the answer to your question is in the question itself, is it not? I mean, the numbers there—they are staggering. The federal government has a bigger problem, but that is because of, I think, 30 years of bad management.

We in this province have had good management and now we are looking at bad management, and that is how I perceive it. I just hope that we have the visibility to see down the road and that this deficit thinking changes in the next budget, at least in the next budget.

Mr Carr: One of the other things that I wanted to ask you about was the Agenda for the People. It was interesting; it was written August 18, 1990, almost a year ago. In it they said they were going to spend, over two years, \$1.8 billion and that was going to include funding to 60% and all the social programs. Instead, over two years, instead of increased spending of \$1.8 billion of course we have an \$18-billion deficit. That was only one year ago, to show how far they were out.

A lot of people have said, “If you were going to do this, if you were going to run up the deficit, you at least

should have had the political courage to say it one year ago.” What would your comment be about that, about a government that one year ago did not tell us it was going to do it and now one year later instead of \$1.8 billion we have an \$18-billion deficit over two years? What do you say to the government?

Mr Stockwell: You wouldn't have voted for them.

Mr Carr: Brad just lost a vote.

Mr Bateson: Well done, Brad. I mean, what do you say? I think I have said it here for the last 30 minutes. I am opposed to this deficit financing. It is for all the wrong reasons and if you are going to spend the money you have to raise it. You have to pay as you go.

Mr Christopherson: I thank you, Mr Bateson, for your presentation. I do not always agree, but I always enjoy the presentations of the chambers. They are always well thought out and very sincere.

I find it curious and continue to find it curious that there are a lot of terms—today you used the term “staggering” when talking about the deficit, and yet last week we saw in the news projections that the \$30-billion deficit of the federal government, the annual deficit of their budget, will possibly be as much as \$40 billion, which means that the miscalculation alone by the federal government is greater than the entire deficit that we have projected. I think it is important to note that right now our budget projections are dead on target. There is very little difference between what we have projected and what the real numbers are right now.

I know that chambers of commerce and other business groups have said, “We've opposed the federal government's deficit spending in the past,” but I think it is fair to say that the volume of opposition by business is nothing like what we have seen here in Ontario. We hear a couple of little comments at the time a federal budget comes out, but we have seen demonstrations, we have seen fax machines sending out messages. The difference in volume alone, I think, says a heck of a story about some of business's approach to this deficit and I, quite frankly, make the case, and make no bones about it, that I think some of it may be political and ideological as opposed to just being a fair objective analysis. Now, that is a biased approach.

I would ask you a question, and I know you would like to comment on that. The question would be, the \$0.5 billion that we did not take out of the consumers' pockets by putting the provincial sales tax on the GST, do you believe that had any kind of a positive effect on the economy—here in Brantford, I mean?

Mr Bateson: No, I cannot say that. I do not think that the man on the street really is even aware of that accounting function that is going on. All they know is that they go to buy something for \$10, it ends up costing them \$11.50, and they are angry.

The Chair: I would like to thank you for appearing before this committee.

The committee recessed at 1145.

AFTERNOON SITTING

The committee resumed at 1302.

CHRIS MEWHORT

The Chair: The first person we have on the agenda this afternoon is Mr Chris Mewhort. Would you come forward, please? Welcome to the standing committee on finance and economics. You will have 15 minutes for your presentation. Within that period try to leave some time at the end for questions by the three parties here. You may begin.

Mr Mewhort: Thank you very much for giving me the opportunity to present my views on the Ontario budget. I am a small businessman. My gut may be large, but my business is small. I operate a bookkeeping service in Guelph. I do routine bookkeeping, year-ends, this sort of thing, for business clients, and I do a lot of income tax for individuals.

That mix of clients has given me a real opportunity to look at some things in the Ontario economy and the Ontario budget. My conclusions, based upon a study of my clients' records, are that poor people are much worse off than usually portrayed and are not really being helped by the present budget. The main beneficiaries of the deficit are Ontario business people.

I will present two examples from my files. I have a semi-client. She is a 30-year-old single parent. She has a two-year-old child, Stephanie, I believe. Her total income from all sources—her job, her family allowance and some social assistance—in 1990 was \$4,038.35. That is it; total; kaput. She is surviving on charity of friends and relatives and food bank handouts, this sort of thing.

I have to ask myself, why are she and her child on the edge of starvation all the time? It is not because she lacks skills or ambition. She is a secretary, she has a post-secondary diploma, she has excellent references, she has standing offers of jobs, she has got a really good work record and she wants to work. Child care; there is the problem. She just does not have anywhere to put the kid. She does not have ready cash to hire anyone to look after the kid, and she certainly has not been able to convince the government of Ontario that she deserves any subsidy. If she was successful in convincing the government that she deserves a subsidy, that really would not help her either. She would simply join a long list of approved applicants.

What I say to that is, so much for this government's boasting about what it was going to do for women and children.

Meanwhile, we taxpayers and everyone in Ontario made quite an investment in her training and her potential and that is being wasted; her earning power is being wasted. She is doing nothing to increase consumer demand in Ontario. I am not ashamed to say that I would like everybody like that to come running to me with their money and spend a little bit on me, but if they do not have it, they cannot spend it.

My second example is a 35-year-old guy, a single father. He is in university full-time, he has a 14-year-old daughter, he is the sole support, he is on social assistance, he runs a

part-time job weekends, he gets family allowance. He has \$14,483.26. With this he manages to pay the rent, tuition all his books, food and clothing for him and the child.

What has the government of Ontario done for this case? It raised his tuition. It seems that we can always stand there and slash university funding, simply because the long term results of that are not going to show up until after the next election. We drive more and more other people out of the province for higher education and technical training and we are chasing research and development out of Ontario. That is just horrendous. It seems to me that the vision of this government hardly extends past next week.

It seems to me that pronouncements about both the generosity and the abuse of our welfare system are misplaced. My clients who receive social assistance do not shop in the United States. They have no way of getting there if they wanted to. They spend all of their assistance immediately, without saving any, purchasing goods and services, primarily rent and food, from Ontario business people. Any provincial tax money or borrowed revenue spent in support of these people is immediately recycled back into the local economy.

I make the observation then that the provincial deficit is primarily a subsidy of Ontario business people. We have already lost a couple of hundred thousand jobs during this recession. That is a couple of hundred thousand paycheques that just are not there any more. That loss of consumer spending is hurting us Ontario business people. None of us like to lay people off when businesses go broke. The owners are not wealthy and we are often not—the guy or the lady who loses her business, she has no UIC, she has no nothing. She is worse off than the employees who lose their jobs.

These paycheques that are not there; that is consumer spending. That is what we businessmen live on. The budget was borrowing money to inject into the economy. That is money that is going to come to us. My business clients struggle and scrounge for every nickel, and none of them refuse to sell any goods or services in exchange for money that has been generated somehow by deficit spending.

I do, however, see major flaws in the way the deficit was spent. That money is like whitewashing a fence in a high wind. It was spread very thinly over a very large area. The Ontario business people have discussed for years the need for increasing worker training and improving our education, vocational training, the need to increase productivity, the need to become more competitive. The budget should have focused on at least one of these specific areas, and it still could have protected individuals and it could have still pumped money into the Ontario economy if that was what was wanted, while still approaching some sort of changes.

I think to make a difference in any one of these areas, that is a structural change in the Ontario economy, and we cannot avoid those structural changes for ever. This budget should have said, "Look, here are important, needed changes," and it should have prepared to make them. I did not see that at all. That was just a scattergun approach to

social programming. A budget is an opportunity to look at the plans and the major priorities of the government. I just do not see anything like that in this budget whatever. I see no evidence of any strategic economic planning. This government had a golden chance to start to make some needed structural changes, and it seems to me that you have instead milled around for the past year like panic-stricken sheep.

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What of the end of the recession? Does this government have plans for reducing the deficit when better times return? I do not apologize. I am a Keynesian, but I support the other side of the Keynesian equation. If good times come back, I want to see a healthy surplus, I do not want to run a deficit for ever. Certainly previous Tory and Grit governments in both Ottawa and Toronto have utterly failed to reduce deficits, and I do not have any faith in that. I certainly hope that this government does a little better.

Because the latest budget is primarily a subsidy of Ontario business people. I propose that when the recession ends, the taxes on us business people be increased, and I think 20% would be fair, to help reduce the deficit. I do not think that this measure would hurt in a very healthy economy. Certainly if the need for social assistance was to drop and a couple of hundred thousand additional paycheques start to move around and a couple of hundred thousand people start to pay some reasonable taxes again, then everybody will be much better off.

I will sum up my main points. The poor people in Ontario are much worse off than you folks seem to think. The budget deficit is primarily a subsidy. The lack of priorities in strategic economic planning has meant that most of the borrowed revenue will simply be wasted. When good times return, the deficit must be removed, and because business people are the real beneficiaries of the budget, they should bear the brunt of repayment. Thank you very much.

Mr Phillips: I appreciate a balanced presentation. We have had the extremes come to us and I think this is a balanced presentation.

My question is really in terms of dealing with the deficit and the debt when we come out of this. You suggest a 20% increase in corporate taxes. How much would that raise, do you think, and what sort of a dint do you think that would make in the projected \$10-billion deficits in the future?

Mr Mewhort: I am not sure at all. I would rather clarify that. When you say corporate taxes, I am looking at my clients, and a lot of my clients are starting businesses in the present recession and gambling everything they have, their house and dog and everything else. Certainly it would not hurt if they start to make a lot of money to pay taxes and help the economy. They could certainly afford to pay that extra.

Mr Phillips: Can I just make the observation that corporate taxes raised about \$3 billion in Ontario, that is, less than 10% of revenue. That is the challenge, a 20% increase on that, so just a bit of a dent.

Mr Stockwell: And 20% would be \$600 million, so it would be absolute peanuts.

A quick question, if I could: You say the budget deficit is primarily a subsidy of Ontario business people. Your assumption is that because they are increasing social services and the payments go to social service recipients, who then go out and buy Ontario goods, in effect, by the government giving the money to the social service recipients, they have indirectly subsidized Ontario business?

Mr Mewhort: Yes, that is my point. My clients survive on money changing hands and they immediately spend that money on other businesses and it goes round and round.

Mr Stockwell: I would be willing to bet you as much money as you have that Ontario business would be prepared to forgo that heavy subsidy you are offering them.

Mr Mewhort: Certainly none of my clients are willing to forgo that.

Mr Stockwell: They are not?

Mr Mewhort: No.

Mr Stockwell: I think business in general would. Quite frankly, I think it is a convoluted approach, to be honest.

Ms M. Ward: Thank you for your presentation. I do not have time to ask you much. First of all, I would like to say I certainly agree with you that there are a lot of poor people in Ontario who are in a very bad position. I see them in my own riding.

Regarding your example about the woman, the single parent whose total income was \$4,000, you do say that was 1990, and maybe she was only on social assistance part of the year or something, but I think there is a higher level of support than that available, unless you are in an area where the municipality is doing its share. The same thing with child care. We do not know where this person is. Is it the case that there is not any child care available there? I know there is a waiting list for subsidies in a lot of places, but in some places there are not even the facilities, which is a great concern of ours.

I agree with you also about reducing the deficit when better times return, we all agree with that, but the comment I would like to make there is that it is not expected that we are going to have any miraculous recovery in the economy. We are not going to be into boom times next year. That is something that maybe is not realized.

The Chair: I am sorry, Ms Ward, time has run out and your preamble was a little bit too long for an answer.

Mr Mewhort: Thank you very much.

The Chair: Okay, thank you for attending.

ALEX MICHALOS

The Chair: We will call on Professor Michalos. I would like to welcome you to the standing committee on finance and economic affairs. You also have 15 minutes for your presentation, and at the end try to leave enough time for maybe one question from each one of the parties. You may begin.

Mr Michalos: I did give the clerk 25 copies, so you should all have copies.

I timed it. I will just read it, that is the fastest thing, and it will not take more than six or seven minutes to read.

The main point of my submission is this: I think the 1991-92 Ontario budget was reasonable, modest, and in the best interests of developing a high quality of life for Ontarians.

Others have recited and will recite the numerical details of this budget. Rather than repeat that exercise, I would simply remind you of the statement of July 29, 1991, of the 59 Canadian economists who strongly endorsed this budget.

I mentioned the July 29 statement to an economist friend at the University of Guelph one day, and remarked that I wondered when we would have a list of economists from the other side. He said he doubted there would be such a list, because the Keynesian idea of increasing government economic activity during economic hard times is a sound idea. That, of course, is what John Kenneth Galbraith wrote in his Toronto Star article following the budget.

In another Toronto Star article of May 4, 1991, by Thomas Walkom, it was pointed out: "This year, interest on Ontario's total accumulated debt will account for about 12 cents of every tax dollar. In 1982, at the beginning of the last big recession, interest charges accounted for 11 cents of each Ontario tax dollar.... By comparison, Ottawa has to pay 34 cents of every tax dollar to service its debt. In 1984, when the Mulroney Conservatives took power, that figure was 32 cents.... In 1982, under Davis, Ontario's total debt was equal to 17 per cent of everything the province produced. This year, that proportion is estimated to be 18 per cent." I assume he has got his numbers right.

These considerations indicate that the Ontario budget is in some ways similar to that of the Conservative government of Bill Davis, and much more responsible—more cautious—than that of the Mulroney Conservatives.

One can always quibble about the precise sizes of annual deficits and continuous debts. It seems to me that members of the Ontario Liberal and Progressive Conservative caucuses insisted upon these hearings to do just that: quibble and hopefully score points on the New Democrat government.

If, on the other hand, they are really suggesting significant structural adjustment programs, like those brought in by the Mulroney government, I would raise the following question: Since Mulroney-style structural adjustment is destroying our country, much as such policies are destroying many Third World countries, in what ways would Ontario Liberals and Conservatives depart from the Mulroney strategy?

This is not the place to describe and attack Mulroney-style deficit-fighting structural adjustment. However, it should be emphasized that the Mulroney policies are clearly having the effect of dividing Canadians into rich and poor by compressing the middle classes. If the Ontario government followed the lead of the federal Tories, an already bad situation would be made worse. Thus, the proposed budget of Floyd Laughren offers some appropriate resistance to the wrong-headed and destructive policies of the federal government.

More generally, since the federal government insists on initiating policies that allow our country and its natural resources to be sold to the highest bidder, it is important

for provincial governments generally, and for the Ontario New Democrat government in particular, to initiate policies that allow us to have greater control of our own house.
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Accordingly, looking further down the road, I hope the New Democrat government will make good on its promise to legislate fair taxes. Excellent studies by David Wolfe for the Macdonald commission and by David Cameron for the Brookings Institution documented the fact that around the world, right-wing and centre-right-wing governments typically create enormous deficits and public debts in precisely the way the Mulroney government and its Liberal predecessor created them. Instead of taxing their relatively wealthy supporters they borrow from them through private financial institutions. In Canada, as a Statistics Canada report showed earlier this year, as elsewhere, huge government deficits and debts are not the result of excessive spending, but of regressive taxation mixed with excessive borrowing from the private sector. The clear result of such fiscal strategy is bound to be an increase in the gap between rich and poor, as the social safety net is shredded in order to pay off the national debt.

The record of social democratic governments around the world—this is according to Cameron and Wolfe again—and of the former New Democrat governments in British Columbia, Manitoba and Saskatchewan is also clear. Such governments tend to levy relatively heavier taxes in order to fund first-class social programs in health, education, training and social security. Assuming more taxes are in store for us, it is vitally important that they be fair. On this score, I think the government's appointment of the Fair Tax Commission is an excellent idea.

National surveys by Statistics Canada in 1970, 1977 and 1984 showed that the wealthiest 10% of Canadians own just over half the private wealth of the country, and the wealthiest 20% own just under 70% of it. Recently, Statistics Canada reported that since 1984 the share of the national income going to the rich increased at the expense of the middle class. That will certainly be matched by an increased wealth gap in the 1991 survey.

In light of these facts, I would urge the tax commission and the government to seriously consider some forms of annual net wealth taxation, or if not that, at least a reintroduction of some forms of succession and/or inheritance taxes. The last thing we need is an additional sales tax like the GST or flat taxes of any kind on consumption and income.

Steps should also be taken to introduce something like Quebec's spectacularly successful Caisse de dépôt et placement in order to put public sector pension funds to work developing Ontario industry. As Peter Campbell indicated in the Toronto Star of July 14, these funds represent about \$55 billion and have annual cash flows of between \$7 and \$10 billion. Besides funding indigenous development, an Ontario caisse could be used to cover deficits without borrowing.

In the provincial convention of the NDP a few months ago, Premier Bob Rae said that he had "no particular affection for any particular institutional arrangements" and that "what we are committed to is to Canada itself." What must be remembered is that it is precisely institutions that give

sible and substantial form to social and political visions. The reason so many of us are horrified by the Mulroney government's wholesale destruction of such institutions as the CBC, medicare and so on is that an essential part of the substance of the Canadian egalitarian vision is embodied in those institutions. If all the institutions are erased, there will be no more of Canada than there is of Camelot.

Floyd Laughren's 1991-92 budget keeps hope and the dream of an egalitarian Canada alive, and I for one welcome it.

Mr Stockwell: Most business people I know wholeheartedly disagree with your approach. Clearly, I can understand why. Many of them would like to be in your position of ensuring themselves a paycheque every couple of weeks and not having to meet payroll and not having to deal with the economy, such as yourself. They do not have that option.

Mr Michalos: What part of my approach are you talking about?

Mr Stockwell: Within your job situation. Their job situation is very different. If you did in fact study Mr Keynes, you would have read—and you choose to adopt some of his ideas, but not all of his ideas. If you truly supported—

Mr Michalos: What are you talking about now, specifically?

Mr Stockwell: I am just asking the question. If you truly supported this type of economic philosophy, you would be opposed to this budget. He suggested yes, there are times when you do need to put money into the economy as a government. He also suggested that if you have two years of influx of capital, you must have three years of reduction. This government has committed itself to five years of deficit financing. I could ask you 50 questions in here, but that one jumps out at me. If you are truly a believer in Keynes's economics, why, then, do you support this budget? It is contrary to his approach.

Mr Michalos: It is not contrary to his approach. His approach is that when you are in recessionary times the government has to do more, and that is what it is doing.

Mr Stockwell: You did not finish reading his thesis.

Mr Michalos: I finished reading it. You do not know what is going to happen five years down the road.

Mr Stockwell: No, but I do know what this government has suggested in its plan for the budget. Their plan—and it is right there, you can read it—says four to five years of deficit financing. He specifically said, if you are going to influx capital for two years, you have to retire debt for three. How can you support something that is so contrary—

Mr Michalos: And your alternative is what?

Mr Stockwell: I am asking you. You are the one who is suggesting to me it is a good budget. Your defence of that is Keynesian economics.

Mr Michalos: That is right.

Mr Stockwell: He does not agree with this budget, so how can you say it is a good budget?

Mr Michalos: He seems to agree with it. He agreed with it when John Kenneth Galbraith said it. He agreed with it when the 59 economists said it.

Mr Stockwell: Then, tell me where I am wrong. Have I misread his theories? Have I misread his—

Mr Michalos: Yes. Obviously you have.

Mr Stockwell: He did not say that we must retire debt?

Mr Michalos: Give me your alternative. We are in a recession, people are starving, there are 125 people in the food banks of Toronto—

Mr Stockwell: The question is, did he not say you must retire debt for three years after incurring it for two? That is the question. I would like to hear an answer.

Mr Michalos: Maybe he did. So what?

Mr Stockwell: So how can you support this budget if it is contrary to what Keynes suggested?

Mr Michalos: Because I am supporting other things he said, obviously.

Mr Stockwell: Thank you very much.

The Chair: Twenty seconds, Mr Carr.

Mr Carr: All of a sudden you are going very quickly. The problem we have with what is happening at the federal level—and as you know, Jeffrey Simpson laid it out—is the fact that we ran up the deficit in the early 1980s. The fact is, now there have to be cuts to a lot of programs because we cannot afford to pay it.

The Chair: I am sorry, I have to cut you off. We are out of time.

Mr Carr: See you after for coffee.

Mr Sutherland: I do not think any of us can say for sure whether Mr Keynes would support this budget or not, since he has been dead for many years, but I am sure he would be supportive of the approach in general with his philosophy that in the bad times you stimulate the economy.

Mr Michalos: thank you for coming and making your presentation. You talked about two issues I would like to get your comment on. One is the issue of tax reform; the other one is the question of pensions and developing something similar to Quebec and the Caisse de dépôt. My understanding of the Caisse de dépôt is that some of that has been used in risk ventures, and people who have put money into the pension plans have been willing to take some of that risk. What do you think the effectiveness of that approach would be without too much risk to future returns on those pensions?

Mr Michalos: I think there are risks, and I think it has to be done delicately and cautiously. It has been spectacularly successful in Quebec. I think it is a risk well worth taking. We have to get command of our own house. There is a bundle of money there, and we have to be willing to risk some of it in order to get command of our own house.

The Chair: You have got 30 seconds. Have you got a quick question?

Mr Sutherland: Go ahead, Mr Jamison.

Mr Jamison: I would just like to say that we appreciate your response and coming here today and appreciate your point of view. I think it does reflect sympathy with

what is happening to people in this province during a recession that is deeper than the one many of us can remember. We believe that we are on the right course, and I am pleased to see you reflected that in your report.

The Chair: Mr Jamison, we have to cut you off. We go to Mr Phillips.

Mr Phillips: Your position does not surprise me. It is pretty predictable. Just a couple of comments. How much time do we have, by the way?

The Chair: Two minutes.

Mr Phillips: The reason that the federal government has not responded is it is broke, bankrupt. They have no money. It is as simple as that. I guess we all have to eventually wake up to that one.

The gang of 58 actually criticized the budget. You may not have heard it, but they said it was their belief that the budget should be balanced within four years. As you know, the budget never gets within \$8 billion or \$9 billion of being balanced. So I think you may have some concerns with the long-term implications of the budget. My concern is that we need to balance things. We need to have some economic activity.

The president of the University of Western Ontario was before us yesterday. Lo and behold, the US spend far more in subsidies per student at universities than Ontario does. The bad US do that. He was saying there needs to be a major influx of funds into the universities. I think the only way that can happen is with strong economic activity. If you are here a year from now, are you satisfied that within this budget there is enough to stimulate the sort of economic activity that I think you and I would agree has to take place to sustain and to enhance our quality of life?

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Mr Michalos: Enough? I do not know. I think it was modest. The additional "enough" they put in was something like \$1.5 billion. As I say, that was modest. Most of the people I talk to think it was modest. I do not know how much good it will do in a year. I would have to look at it then, but I certainly would have taken the step. Maybe personally I would have gone further, but I do not know. I am not in their seats, so I do not know what I would have done.

Let me just make one comment on the federal government being broke. They are broke because successive governments have practically destroyed their own tax base. If you look at the Brookings studies and you look at the regression equations, the mathematics is perfectly clear. The reduction of the tax base is about five or six times more important than the spending in terms of the deficits that are created.

The Chair: Okay, I would like to thank you for your input into this committee and your presentation. Thank you.

Mr Michalos: You are welcome.

Mr Phillips: See you next year.

ONWARD WILLOW CENTRE

The Chair: The next group is the Onward Willow Centre. Would they come forward please? Okay, I would like to welcome you here to the standing committee on

finance and economics and the budget review. I understand the clerk has a copy and when we get back to Queen's Park each member of the committee will get a copy of your brief. We do not have the accommodation here for copying them all as it is right now, so each member will get a copy on the road next week. In your presentation you have one half-hour and if you can leave some time at the end to have a question-and-answer period, most of the opposition, third party and government would like to ask questions on your particular brief for possibly more clarification. You may begin your presentation.

Mr Zuber: Thank you. Good afternoon, gentlemen and women. My name is Gary Zuber. I am the chairperson of the Onward Willow safety committee and a sitting member of the Onward Willow committee itself.

Ms Margetson: I am Chris Margetson, a community development worker at the Onward Willow Centre.

Mr Vanderwoerd: My name is Jim Vanderwoerd and I am a researcher with the Onward Willow Centre and the Better Beginnings, Better Futures project in Guelph.

Mr Zuber: As I was saying, good afternoon, and thank you for allowing me to speak at your little convocation here. It is a privilege to be allowed to express my personal views on matters surrounding the proposed NI budget, and what effect it will have on my life and those around me.

Let me first give you a brief history of my background and how I wound up in the situation I now face. I began working in 1960 full-time, trying my best to make a living for myself. I laboured at many jobs that, when I look back in retrospect, I would not work at again, but when you are young and dumb, thinking is a process that does not often enter into a lot of decision-making. I met a young girl in 1963 and in 1965 we were married and we started to raise the family we both agreed we wanted to have. We had three children and in the fall of 1974 my middle son, Jeffrey, was diagnosed as having aplastic anaemia. This disease is almost always fatal and in our case it was. At the age of five my son died, leaving my wife and me totally devastated. I had lost my job. I had lost my car, my house, my money, my credit rating, and most important of all, I had lost my son. But I still did not want to accept bankruptcy.

I started another job and tried to put my life back together. I made payments on the bills I had accumulated and times were very tough for us. Still I had not taken any money out of the so-called system. Gradually the tension and stress began to affect my health and I contracted psoriasis which, in turn, led to psoriatic rheumatoid arthritis which I have had for some time now. As this disease progresses the chance that I will work again becomes less and less of a possibility. Nevertheless, in the fall of 1987 I went back to school at the tender age of 43 to see if I could get a diploma that would allow me to re-enter the mainstream and become a productive member of society once more. Through the grace of Voc Rehab and all the help and support from them, plus an awful pile of hard work, I graduated in September 1990. I had successfully completed various courses and received corresponding credits. Unfortunately, my disease had progressed to the point that I was

nder heavy medication, preventing me from actually going out and seeking employment. Moving my wrists and hands had become a real difficulty, which it still is.

Now, having bored most of you to death, you are probably saying, "My, that is too bad, but what has this got to do with the new proposed NDP budget?" Well, I am going to tell you. The money that was used to put me through my schooling came from the very source that is now being pushed to be cut. What would I have done had this money not been there? Where would I have turned?

Let's take a look at the worst-case scenario, and in fact one that I am going to be facing very, very shortly. Since I am unable to work, since I am finished with Voc Rehab, I am going to be forced back on to the welfare roster, a system that is in the biggest mess it has ever been in. Survival in this system, as it now stands, is nearly impossible. Yet someone, in a moment of sheer lunacy, has proposed cutbacks. Wow, what a wonderful future to look forward to.

Who makes these decisions? Do the people who are stuck in this stinking hogwallow ever get asked for any input? No. Well, let me tell you, we are going to be heard. I see a great groundswell coming from the economically oppressed that will be heard far and wide. For those of us who are stuck in the welfare system through no fault of our own the future looks mighty bleak. What chance will there be for us to escape? None.

We are tired of being pushed around, ignored, and being told what is good for us. Sure, we have those in the welfare system who cheat and try to abuse it, but they are few and we have to live with them because we do not have the luxury of a cabinet shuffle or resignation to hide our dirty laundry. Everyone expects the present NDP government to make a silk purse out of a sow's ear, except they were given the entire pig. Sure we will be dealing with a deficit, inherited. Money must be put into the welfare system to try and revamp it. Money must be spent on educational and vocational training and retraining through college programs. How else can we get people back into the workforce? Or should we just keep them in the welfare system?

Also, if we do not see this proposed \$215 million go into the welfare system, many of the now existing programs will be forced out of existence. Certainly without this \$215 million the chance of anyone in the welfare system being able to get back to being a productive person will be almost nil. Moneys cannot be taken away from building more low-cost housing. I live in a rent-geared-to-income housing complex in Guelph. It is not a bad place to live, but there are still 800 on the waiting list in Guelph alone. How can we justify cutting back on any funding dealing with violence against women? One only need turn on the TV any day and there is increased evidence of this horrible crime. In and around the area I live many of the residents are single, female and parents, and I see living proof every week of this most brutal of crimes. And I mean every week.

Also of monumental proportion is the maintenance and management of our health care system. Whatever it takes to maintain it must be done. We cannot compromise on this. Too many of us, myself included, depend heavily on

this system, perhaps the best one in the world. There are many other issues that I would like to bring forth, but as time is at a premium, I cannot. At a time when we must be trying to stimulate our great province, we cannot have our hands tied because we are going to be working with a large deficit. At least the money that the government of Ontario is planning on spending offers a glimmer of hope for many of us who, without it, would be afforded little or no chance.

So, I plead with those who are in opposition to this budget, take off the blinders and help to make it work instead of criticizing it to death. Maybe, just maybe, with some co-operation we can get this province off its backside and start it on the long, slow road to recovery. I, for one, feel strongly this can happen. It must happen. We cannot allow ourselves the luxury of believing that everything will heal itself. It takes money, initiative and the promise of a better future, all of which the NDP budget offers, especially to me. Sure it is going to cost us more money; sure we will have a deficit. However, I shudder when I think of the alternatives. It scares me. It really scares me.

Let me conclude by thanking you for taking the time to listen to me. I realize I may not be as articulate as most and I do not understand all the intricacies of a complicated matter such as this budget fully, but I do know in my heart what it means for myself and my family. Thank you again.

Mr Sutherland: Mr Zuber, you just said that you may not be as articulate as other people, but I think that is one of the most articulate presentations we have had. You have told your story. It is a great pleasure to see you here today. I did not know that you were going to be here. I think you have not told the whole story. Some of the support you have received through the years has, I think, resulted in a success story, and that is through your oldest son, whom I happen to know from university, and the fact that he has now successfully been able to get through university, is out being self-supporting, is married and is raising a family.

I think that example clearly shows that when you put support to people, and when you provide this necessary support through the tough times, there is a great deal of hope there for people. It is not that people do not want to get off the social assistance—they certainly do—but many people need to be maintained and I think what your story reflects—and what I know about Kelly who is certainly an incredibly hard-working and bright person—is that with support we can make steps in breaking cycles of poverty.

Mr Zuber: Exactly. By the way, how are you?

Mr Sutherland: Not bad. I would just like to know a little more about specifically what the Onward Willow Centre does as a whole. I am wondering if we can just get a little more background information about that.

Ms Margetson: You may hear that as Jim and I do our portions of the presentation.

The Chair: Oh, excuse me, I thought the presentation was finished.

1340

Mr Zuber: We have a three-parter.

The Chair: Okay, I am sorry. Let's finish our presentation there then. You have used a little over a minute;

about a minute or two minutes left. Would you continue on? I am sorry I interrupted there. I thought the presentation was finished.

Mr Vanderwoerd: I would also like to thank you for the opportunity to speak to you about the NDP budget. The criticism and attacks on the government's budget have made me angry enough to want to say my piece in favour of the budget. In my opinion this is one of the few government budgets which is designed with the needs of the majority of citizens who have relatively less power and which does not cater exclusively to the interests of the powerful.

I personally am tired of budgets which justify spending cuts for programs and services with deficit rhetoric. The deficit has been the excuse for endless cuts to essential services and programs which support and enhance the lives of those who need them most. What especially irks me is that the people who enthusiastically support reducing spending on programs for people are the same ones who clamour for corporate tax breaks.

I believe government has a responsibility to those of us who are less powerful. I believe government has an obligation to ensure justice and fairness. Government must be a leader in providing the supports and resources necessary for all citizens regardless of gender, race, income, marital status or anything else, to live a life of dignity, free from stigma, poverty, discrimination and oppression.

The present government's 1991 budget has clearly placed its priority on people, especially those who have less power. I am completely in favour of this budget and find the rhetoric and criticism against it to be shallow, selfish and motivated by thinly disguised self-interest.

In the past year, I have been involved as a student and a researcher with a neighbourhood project in one of Guelph's poorer communities and have come to know many of the residents who have been involved in this project. Through my relationships with these people I have come to see how important this budget is to them and how important the programs funded by this budget are. I would like to share with you some of the stories of these people as a way of illustrating the importance of a budget which places emphasis on supporting people who do not have the power or the money to influence policy makers but who are deeply grateful for being remembered.

Charlie is a 42-year-old father of three. Four years ago he developed back problems which forced him to quit his heavy-labour job. After nearly a year on a waiting list, he was able to return to school for retraining with the help of the vocational rehabilitation program offered by the Ministry of Community and Social Services. He enrolled in the local community college and began a two-year course in social services. However, things began to fall apart at home with Charlie being away all day at school and spending long hours in the evenings studying. The task of caring for the three children without her husband's support and guidance was too much for Charlie's physically challenged wife. Charlie was forced to withdraw from the program so he could spend more time with his wife and children and re-establish stability in their home.

Charlie is ready to begin classes again this fall because his oldest child will be in school and government-subsidized

day care spaces have come open for his other children, which will significantly reduce the stress on his wife. At the same time, his wife is learning skills which will assist her in overcoming her challenges and increase her self-esteem through programs offered by agencies funded by the government. Charlie and his family do not have access to the policymakers and they can only add their voice to thousands of others like them who would all press overwhelming support and gratitude for this budget which has remembered them even during a recessionary economic period.

At the age of 37, Alice found the stress of coping with an assaultive husband too much and finally mustered the courage to leave. For several months she and her two children stayed at the local government-funded women's shelter and, with the help of the staff, began to make plans to rebuild her life. However, the accompanying pain, guilt and stress were overwhelming for Alice, and she spent the next year and a half in a therapy program offered by a government-funded agency.

During this time she was unable, both emotionally and financially, to care for her children. An arrangement was made with family and children's services to care for her children in foster care temporarily until Alice was ready to resume caring for them. Alice enrolled in community college and two years later proudly graduated with a diploma as an early childhood educator. During this time, she was able to care for her children and survive through family benefits allowance. As well, she found affordable housing with the Wellington Housing Authority, funded through the Ministry of Housing. Alice is now living independently supporting herself and her children. She recently celebrated her first anniversary at her new job by buying a car and taking her family on a week-long holiday, the first holiday her family had ever been on.

Alice was able to reconstruct her life after the breakup of her marriage to an assaultive husband only through the many different programs and services funded by this government. This budget has maintained these programs and services as a top priority, and thus will support others like Alice towards healing and independence in similar stressful situations.

Finally, Dianne is a working mother of two young children. With the support of government-subsidized day care Dianne has been able to support her family with her job as a supervisor of kitchen staff at a hospital cafeteria. However, troubles started when her youngest child developed kidney problems. Dianne had to take time off to accompany her daughter back and forth to the Hospital for Sick Children in Toronto. Her daughter required expensive treatment and equipment in order to remain at home. This was all covered through the Ministry of Health, including special programs to cover her transportation expenses and a home care nurse to check up on her daughter once a day.

Dianne is now back at her job, with the added perk that her wages have been increased as a result of recent pay equity legislation supported and continued by this budget. In addition, Dianne's taxes will decrease as a result of this budget, because she is a lower-income earner with dependent children. All of this means that Dianne can continue

support both her children and herself despite the added medical burdens and her temporary interruption at work. Through programs like these, Dianne and her family are able to maintain their independence and dignity, even in the face of a medical crisis.

None of these three people will likely have a direct voice in government policy. In fact, the majority of people do not wield the power or wealth to influence government policy. Too often, the results are policies which benefit the powerful, with the rest of us paying the bills.

This budget places people with needs as a top priority. Government must take responsibility for those whose needs are greatest, particularly because there is no one else to advocate for them. I completely support the government of Ontario's 1991 budget, and applaud its compassion in putting people first. The temptation and pressure to respond to the cries of the powerful is strong. I applaud this government's resistance to well-financed and slick pressure tactics, instead preserving and enhancing programs and services which are essential to building and maintaining quality of life for all.

Ms Margetson: I have listened to and read avidly all of the criticism and negative commentaries on our provincial government's recent budget, and have also listened closely to and read many explanations and supportive articles. It is interesting and difficult for me to comprehend how so many intelligent and well-educated people can disagree so vehemently, and see the facts and figures from such different points of view. Philosophical and ideological differences abound.

I wish to speak to you today, from a much more practical and simplistic point of view, in support of this budget.

Social services, health care, child welfare, housing, violence against women and fair taxation must all be priorities in a fair and equitable society. Ontario is a wealthy province. I see signs of this daily: expensive new cars; personalized plates; our beautiful and regularly filled-to-capacity SkyDome; thousands of kids wearing \$100 shoes, playing hockey or piano and attending expensive schools and camps; corporate executives wearing \$1,000 suits, filling up the rooms in our expensive hotels. These are just a few of the things I notice. Many Ontarians are living the good life.

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However, my own life as a single mother and my daily work as a community development worker at the Onward Willow Centre, which is a primary prevention centre in a high-risk neighbourhood in Guelph, very clearly point out the wide discrepancy between the haves and the have-nots in our province. Daily I run across many situations that are unfair, inequitable and downright unacceptable.

Some examples are inadequate and unaffordable housing; hungry and hurting children; overburdened and poverty-stricken parents who are unable to meet the very basic physical, educational and psychological needs of their families; a single mom whose son is stricken with leukaemia and who cannot afford child care, transportation or long-distance phone calls to facilitate spending time at her son's hospital bed in Toronto. This mom is also functionally illiterate and must deal with all that entails.

Another single mom with three kids, two of whom are handicapped, must walk screaming through her neighbourhood—and this just happened last week—"Please help me!" She was screaming in order to call attention to her plight. All three of these kids have been sexually assaulted and the mom has been a victim of wife assault. There is seldom food in their fridge.

A creative, talented artist with two kids who has given many hours of volunteer time to our project and her own neighbourhood is so stressed out from poverty, school and surviving that she calls our local counselling centre. After spending several days crying and trying to find food, support and whatever else she needs, she is told there is a three-month waiting list for non-paying clients. She needs help today.

These situations I raise today are not exceptions; they are the rule for hundreds of thousands of Ontarians, many of whom are children. How can we rationalize or justify the continuation of this lifestyle for so many of our future leaders? Last Christmas, statistics informed me that 320,000 of our children were living in poverty in Ontario. This was no surprise to me. I am confronted daily by the effects of abject poverty: the fear, pain, hunger and humiliation.

I believe that just maintaining this status quo is unacceptable in Ontario, yet our provincial government would have had to run a deficit with this budget just to do that. As a result of the non-caring corporate agenda of our federal government, they find themselves in an unenviable and impossible situation. Bill C-69 is a good example of that agenda. It will lead to a child in a province with a less prosperous or caring government receiving less adequate medical, educational and social service support than one in Ontario living under our present government.

Twelve years ago, pregnant, fearful and alone, I began to parent my four-year-old daughter after my marriage broke down. I found myself without employment, living in one room, afraid and lonely. With the help of many government agencies—for example, housing, welfare, family benefits, day care, OSAP, counselling, Big Brothers, Big Sisters—I began the long and tortuous climb to recovery. It has never been easy. My kids and I have all suffered pain, degradation, hunger and abuse, both in and outside the social service system. At times I wanted to give up, but one day at a time, we moved along and we survived. I now know that the sky is the limit. I will never forget, though, how it feels to be in this untenable situation. It is a large part of who I am today. I still feel it in my bones.

If the opponents of this budget and our own federal government have their way, if services are cut, another woman in my situation would not have access to all the services and assistance that have helped pave the way to my autonomy and independence. Cutbacks in funding these programs will directly affect our most vulnerable citizens. Ontarians desperately need each and every dollar allocated in this budget.

Some grass-roots groups such as environmental, anti-poverty and housing activists are pressing our government to do more, spend more, move more quickly. Although I can see their points and I wish the reality were different, I can see clearly how difficult it has been for the government,

given the inherited deficit, Bill C-69 and the corporate lobby groups, to move forward at this time of recession with a budget which supports employment and economic growth. I support their first effort, a step in the right direction towards fairness and equality for all Ontarians. I applaud Bob Rae, Floyd Laughren and their government for their gutsy action and ask them to implement this budget and to continue to take steps towards a fair and equitable Ontario where all men, women and children will live with equal opportunity for health care, education, housing and an opportunity to move forward into the 1990s as equal partners in Ontario. This budget is the first ray of hope that Ontario will reduce economic disparities and make sure that the costs of economic growth and adjustment are borne in a fair and equitable manner by us all.

Mr Phillips: A very poignant presentation. The three examples you used—Charlie, Alice and Dianne, my recollection—as you described them, were all things that took place with programs by the previous government; nothing to do with this budget, because this budget did not come in until April 1. I just point that out because as you outlined the various services they required, I think they were mainly things that occurred, as I say, under the previous government, if I am not mistaken.

My question to the group is the one I have been asking elsewhere; that is, in order to build on these services, we do need to have a strong economy in the province. That was one thing that allowed the Liberal government, the previous government, to initiate many of the programs you talked about. We saw that economic activity going on.

Does your group have any concerns at all—I know you are kind of unequivocal on the budget—about whether this budget will develop the necessary economic activity so that the people you serve will actually be able to have the services and the jobs they would like?

Mr Zuber: I really have not given that much thought. I am going to be quite blunt and tell you that the only reason I am speaking here today is because of what this budget means to me personally. I fear for my family's future; I fear for my own future. If the economy goes down the dumper, which it is halfway down already, that is too bad, but my main concern is to keep my family fed and to keep my head above water. If the budget gets cut any more than it is, there is no way out for me, and that is what really scares me. Whether or not this budget will stimulate any growth, I really do not know, and quite frankly, I do not care. I just want to feed my family for the next four or five years, and this budget at least offers me that opportunity. Maybe, with the grace of God and some government program, I can get back in and start earning a living for myself again, instead of becoming what is so commonly called a leech of society on the welfare system.

Mr Carr: One of the things that has been proposed to find some money for some of the programs you talked about—because obviously you have said it is not enough. I was just looking through the Agenda for People, where it said it would eliminate poverty. We are coming up on 11 months and it seems like we are no better off now than we were 11 months ago with the new socialist government.

One of the areas where money can be found in this day and age of increasing demands on money is through the civil service. As you know, they have recession-proof jobs. Right now, we have management groups within the civil service that are getting double-digit increases of 11% while we have stories like this. We could put \$1 billion into more programs like this if in fact we gave them just 2%, and if we froze them, we could probably do even more. Are you in favour of doing that, to ask the civil servants of this province to give up some of their increases to help people like yourself? Would you agree with that?

Ms Margetson: No, I would not. I think people who are working full-time and working hard—and the majority of those people are working in Toronto, the most expensive city in Canada—I do not think that is going to accomplish a whole heck of a lot.

Mr Carr: So they are not included in the ones you mentioned a couple of times, the rich and powerful. As you know, most of those people are making close to \$100,000 and they are getting 11% increases.

Ms Margetson: I would suggest you are wrong when you say most civil servants—

Mr Carr: Just look at the paper, the jobs you are going through. We are talking about a substantial amount of money. We are not talking about people making \$35,000. We are talking about people making from \$60,000 up to double digits who are getting 11% increases. You seem to be saying that is okay. Is that how I read it?

Ms Margetson: I do not know enough about the civil service wage structure to really form an opinion on that, but I would say that average working people should not be asked to take a wage cut or a wage freeze, especially those people who are living in Toronto. If they are making \$100,000 or \$200,000 or \$300,000, then maybe we have to look at that, but I am not sure I am the right person to ask that question. That is not my area of expertise.

The Chair: The time has run out. I would like to thank you for your presentation here.

1400

WELLINGTON AD HOC COMMITTEE AGAINST BILL C-69

The Chair: The next group is the Wellington Ad Hoc Committee Against Bill C-69. Would you come forward please.

I would like to welcome you to the standing committee on finance and economics on the budget review. You will have one half hour for your presentation, and near the end leave some time within that half hour for questions and answers of the three parties.

Mr Bidgood: My name is Bruce Bidgood and I am the chairperson of the Wellington Ad Hoc Committee Against Bill C-69.

Ms Brownell: My name is Barbara Brownell. I am the executive director of the North Wellington advisory group and a member of the committee against Bill C-69.

Mr Bidgood: I am sure the question might reasonably be asked why this committee, the Bill C-69 committee,

group which is devoted to co-ordinating an opposition campaign against a piece of federal legislation, is appearing before this provincial standing committee today. It may be more timely for me to answer the question with clear statements regarding why we are not here.

First, we do not appear before this standing committee with any illusions that we are fiscal or economic experts, providing directions on how much and where the provincial government should direct its revenues. We leave this to the economists.

Second, we are not here to propose models for the complex of issues which is the relationship between the federal and provincial governments. We do not have any special clairvoyance in this area, and we leave this to the constitutionalists.

The Wellington Ad Hoc Committee Against Bill C-69 is appearing before the standing committee today to formally voice our opposition to the federal government's practice of unilaterally withdrawing its fiscal support of key human service programs within Ontario, a gradual erosion of the precise programs, both the Canada assistance plan and the established programs financing, which make up the very fabric of our Canadian social heritage. This practice, as we are sure the members of the standing committee will agree, has far-reaching implications for the current 1991 Ontario budget and for the provincial budgets for many years to come.

I am sure, given the events of the last couple of weeks, that most of the members of the standing committee are aware of this particular piece of legislation, Bill C-69, formally known as the Government Expenditures Restraint Act. It was part of Michael Wilson's 1990 federal budget, the first budget, from what I have been able to understand, that was drafted completely behind closed doors.

The bill, first of all, proposes to freeze federal funding for established programs financing, and this is a major source of funding for post-secondary education and Medicare. Prior to 1977, two senior levels of government shared the cost of these programs on a 50-50 basis. Under the EPF, there was a gradual erosion of federal cash payments for these programs in favour of tax points transferred to the provinces. If that were not enough, in 1986, the federal government put further limits on the EPF so that—and Bill C-69 in and of itself proposes to freeze all payments to this program from 1990 to 1992, and when you think about it, represents a severe cutback in funding given the rise in both the costs for post-secondary education and Medicare anticipated for the same period of time.

The net result of these federal initiatives has been the steady erosion of federal contributions for these essential programs, with the net result being that the amount of federal cash dollars for post-secondary education and Medicare will be reduced to zero by the year 2004. Knowledgeable informants have expressed deep concern regarding this particular course of action. They say that it will limit the federal government's ability to enforce national health standards. If you do not pay the piper, you do not call the tune. Also, there has been extreme concern expressed by representatives of the college and university communities, as we could expect, who feel that the legislation will make

post-secondary education completely out of the reach of low-income and middle-income Canadians.

Beyond that, Bill C-69 proposed to put a cap on federal spending for the Canada assistance plan in Ontario, British Columbia and Alberta, the three "rich provinces," provinces where almost 50% of Canada's poor live. The CAP is our country's primary program to fight poverty, and it stood for a quarter of a century as an important cornerstone of our Canadian social heritage. The spirit of CAP holds that every Canadian has a right to assistance as a last resort to prevent destitution, and in 1988 to 1989, over 2.3 million people, 40% of them children, benefited from this program. Under CAP, the senior levels of government share 50-50 the cost of the welfare services and social service programs. Bill C-69 proposed to put a 5% ceiling on federal increases to the provinces for CAP. Given that CAP funding, on average, has increased 11.5% per year, this represents a substantial reduction in federal dollars. Estimates—I believe by the former Ontario Treasurer—suggested that Bill C-69 will cut approximately \$440 million from the Ontario welfare and social service programs between 1990 and 1992.

The disposition of Bill C-69: There has been a continuous campaign of resistance against this particular piece of legislation since it was first passed by the House of Commons on June 12. The province of British Columbia took the federal government to court, stating that they had a legitimate expectation that the federal government would not unilaterally change the conditions of the CAP program, and indeed did win, and this ruling was upheld by the federal Justice minister.

The federal government continued, though, to push it through the Senate, and we know Michael Wilson's 1991 budget, even before the legality of the document had been established, extended the terms of Bill C-69 for a three-year duration. August 22, which was last Thursday, saw the Supreme Court rule in favour of the federal government, stating that they have the right to cut back transfer payments to the province.

Our group got together because of concerns expressed to us by welfare clients and human service providers within Wellington country. To date, it consists of over 20 organizations which are listed in the back of the document which I have handed out to you. Why have they gotten together? Essentially, the people within our community felt strongly enough that they wanted a co-ordinated campaign to let their opposition be known.

To date, the ad hoc committee has pursued a number of different activities to try to let our opposition to Bill C-69 be known to the federal government. Most specifically, there has been a public education campaign through the local print media. We have met with local MPs, urging them to put this issue on the agenda of the provincial government and to advocate strongly against Bill C-69. We met local MPs, including the Minister of Health and Welfare and the Minister of Science and Technology. We have had a sponsored press conference with a formal statement by the Ontario government on where they stand on this particular legislation. We have done outreach to general welfare clients, and we have also made submissions to

the Spicer Commission and the select committee on Ontario in Confederation.

There is inherently a dilemma in Bill C-69 and what it represents for the provincial government and for this committee. Our advocacy effort around this particular legislation has made our members keenly aware of a no-win scenario facing the provincial government in drafting the 1991 budget. During our meetings with the members of federal caucus—as I said, the Minister of Health and Welfare and the Minister of Science and Technology—it was clearly stated that the federal government believed that the provinces were in a more favourable economic position to absorb the increasing costs of EPF and CAP programs. I quote: "Every province of Canada is in significantly better financial shape than the government of Canada, and we believe that the provinces must begin to live up to their own responsibilities. It is up to the provincial government to decide on its priorities, including whether it chooses to delay welfare reform. Ontario is better placed than the federal government to pay for any increases beyond 5%." That is Bill Winegard, January 9, 1991.

The dilemma then arises that when the provincial government increased its budget to absorb the shortfall incurred by the withdrawal of federal moneys, it was widely criticized as being fiscally irresponsible. Little or no attention was being paid to the role of the federal government in creating a substantially larger provincial deficit. To make matters worse, the Prime Minister went on to publicly criticize the government of Ontario for its financial policies, while four months earlier, members of the caucus were suggesting and yes, indeed, actually encouraging Ontario to increase its spending on social programs. The federal government cannot advocate greater provincial spending on social programs while criticizing them at the same time for running a deficit. There is something fundamentally hypocritical in this.

In addition, the original provisions of Bill C-69 stipulated that the limits on transfer of payments would be for a two-year period only. During our meetings with local MPs, we were given the impression that Bill C-69 was a necessary but temporary evil. "The CAP ceiling is not a permanent structural change. It is a temporary but necessary expenditure restraint measure for a two-year period." Again, the federal government demonstrated an interesting reversal in its thinking when, in the 1991 federal budget, the provisions of Bill C-69 were extended for three more years.

The government of Ontario does not draft its economic policies and budgets in a vacuum. It is our committee's belief there has been little public attention paid to the fact that the province has been put in a catch-22 position with respect to funding their social programs. There is increasing demand all over the place due to the recession. There is steady withdrawal of federal support, and everybody is criticizing increased spending.

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Our members are, in no way, proponents of large governmental deficits. We would like to encourage fiscal responsibility at each and every level of government. To date, the theme that we used as the vanguard for our committee has been that we do not want to see the federal

budget bounce on the backs of those who can least afford. The sick, those reliant on the health care system, students, those reliant on post-secondary education and families living in poverty, those who benefit from the Canada assistance plan. The federal government would appear to have no ear for those groups across the country have essentially gone unanswered.

What we are here today to do is to respectfully impart the same message to the standing committee and hopefully indirectly, to the government. We do not believe that the provincial government should, at any point, attempt to cure its deficit by withdrawing funds from those programs which benefit the most vulnerable people in our society. While recognizing that there is negative public attention associated with increased spending on social programs, we are here to ask the government of Ontario to persist in its Agenda for People and to make a commitment to guarantee that our most vulnerable citizens will not be unjustly penalized by the dwindling support of their federal government.

This can only be done by ensuring that the adequate funding for EPF and CAP programs are maintained. We would also encourage the government of Ontario to advocate for reinstatement of the pre-1990 conditions of CAP and the extended programs financing, and towards this end we strongly applaud the Premier for his stand to make social assistance transfer payments an item on the agenda for the upcoming constitutional discussions with the federal government. Because that is exactly what it is, it is a constitutional issue.

We have heard frequently from the proponents of the federal government that the budget must be balanced to preserve a future for our children. Our question is: What about those kids today who are living in poverty? Who are experiencing family violence? Failure to address the needs of Ontario's most vulnerable citizens today, particularly during a time of recession, will only lead to a future generation of disfranchised and marginalized citizens who will be perpetually reliant upon government assistance.

We do not believe that the citizens of Ontario and Canada want to see any level of government balance its books by virtually taking away the food and shelter of those who are already living far below the poverty line. It is our conviction to this point, which makes a federal policy such as Bill C-69, extremely unconscionable even if the Supreme Court says it is legal.

Ms Brownell: I would like to draw your attention to some of the more practical issues around budgetary implications and recession in Bill C-69. Mr Bidgood and I are also on a committee of service providers in Wellington county. There are some 20 to 25 service providers represented on this committee and we attempt to do joint planning and co-ordinate our services as best we can. We attempt to be fiscally responsible in ensuring that we keep within our budgets while still providing services to the families and children in Wellington county.

However, the implications of Bill C-69, and certainly the recession, make it more and more difficult for these agencies to cope with long waiting lists. An example of that would be the mental health services. It is a very clear fact that in times of recession people are under more stress

and therefore the essential services which we are attempting to provide need expansion.

One of our fears, at this particular point, is that because of the budgetary implications and the recession, there will be no expansions of services. I will use day care as an example. While the budget makes mention about prevention of violence against women, I think it is important that the support services that would go along with that philosophy, which I applaud, need to be in place and need to be expanded. Day care is an example of that. If we are to encourage people who are living below poverty to get out and find work or go back to school so they can improve their lifestyles and add some quality to their lives, then we have to provide day care. It is very practical.

In my own particular area, we have a community committee that wants to put in place a day care in the rural village of Arthur. We have the people, we have the children, we have a location, and we are told there is no money. So those children who currently could be accessing controlled day care that we know is a safe environment and a productive environment for these children will have to go to in-home day care providers who cannot be supervised in the same way. People's choices in terms of care, people's choices in terms of accessing a variety of services are limited. Unless budgets are expanded in services, they will continue to be limited.

I would like to speak for a moment about the rural areas. It is easier to provide dollars and to provide services in urban areas. For the same number of dollars you can serve more people, and often the fiscal decision is to put the dollars into the large urban areas. In rural areas, services are very spread out. It is expensive to provide services. In North Wellington alone, we have 500 square miles and a population of 30,000 people. In order to serve those people, we must provide services in rural locations. We cannot have service providers being parachuted in from Guelph or from larger areas in the rural areas of the province.

Mr Bidgood and I would be happy to answer any questions and expand on some of the themes that we have discussed at this point.

Mr Phillips: Just a quick question: I am curious how people arrive here to present. Were you one of the groups that received a phone call from the Premier's office to appear?

Mr Bidgood: No, we did not receive a call from the Premier's office. Our invitation to come to this committee today was a direct consequence of our involvement with the local MPP on this particular issue.

Mr Phillips: The challenge, I guess, for the federal government, and I do not want to be an apologist for it, but I think it is broke—bankrupt. Maybe there are ways to solve that, but they did not find them over the last few years. I am just trying to get from your presentation what your issue is. Is it that more money should be spent on these services, or is it that the money should be coming more from the federal government rather than the provincial government?

Mr Bidgood: We are not suggesting that there should be drastic increases in funding for any specific programs. However, we do believe that the principle of shared

responsibility between federal and provincial governments is too important a quality to be compromised by saying, "I'm sorry, at this particular time we're having deficit difficulties." We would not expect the federal government to increase substantially or unrealistically its contribution for Ontario's social service programs. However, we had hoped that they would fulfil their obligations as specified in EPF and CAP prior to the changing of it with Bill C-69.

Mr Phillips: I am not advocating this in any way, but if you were a totally selfish Ontario taxpayer and you said, "Listen, I'm totally selfish," what is in the Ontario taxpayer's interest? As I say, there are a lot of national unity issues at stake here, but would it be best that all of this be transferred to the provinces and the provinces managed the welfare, the education area and the health area themselves?

Ms Brownell: I think one of the things we need to keep in mind is that we want some national standards for health, welfare and education. I do not think it is good enough for the federal government to dump the responsibility for the standards and for the services and programs on to the provinces. It is a little bit like a province expecting municipalities to determine the standard and level of services within their own municipalities. What happens then is you get a variety of standards. In Wellington county we get X standard; in Waterloo county we get X standard. I think that we should be very clear that as a country, Canada at one time made a commitment to its people and we created a social safety net, and now we see big holes in that safety net. I do not think we can allow the federal government just to back off and say, "Let the provinces get on with it."

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Mr Phillips: Have you done the analysis, as I said, if you were looking at it purely selfishly, in terms of what would be in Ontario taxpayers' best interest?

Mr Bidgood: I do not know if you can look purely self-interested. However, from my perspective, I would even take a stronger stand in suggesting that I do not think that morally the federal government can back out of providing basic social service programs. I mean, that was part of the promise when this country came together, and since the period of approximately 1970 or so, we have seen a slow and gradual erosion of the federal contributions to a number of these programs. So if you were talking about the perspective of a purely selfish Ontario ratepayer, I would say that there is something more dear at stake here for the Ontario ratepayer, and that is the commitment from both levels of government to take care of you if you should fall upon hard times, and that would transcend for me any sort of self-interest you might have as a ratepayer. It is the cornerstone of our social policy, the cornerstone of our social heritage. It is what binds us together, and at this time it is coming very loose.

Mr Carr: Thank you very much for a fine presentation. As you know, what we are really talking about here is not the compassion of government, because, as you well know, the social programs do not depend on the compassion of government; they really depend on the ability to pay for these programs.

One of the things that has been suggested is that there was no money anywhere else to be cut. I will give you an example of where I see some money could have been. I do not know if you are aware of it, but in 1985, 80% of the rental units produced in this province were built by the private sector. As we sit here today, it is closer to 20%. The 80-20 has been flipped.

Interjection: Good word.

Mr Carr: "Good word" is right.

The amount of money that we are talking about is not millions of dollars. Over the course of this government, we are talking billions with a "b" that is going to be put into building rental houses because, as you know, people need them. The private sector will not do it; the people need housing; the government jumps in. That is one area where a lot of people have said that if we had not had Bill 4, the rent bill, and some of the other initiatives during the Liberals, the private sector money could have built those rental units.

Just so you know, the cost per unit when the government builds them is twice. The non-profit cost is \$1,800, versus about \$800 when the private sector does it. So that is an area where we are talking about billions of dollars—with a "b"—that could be used to help the folks behind you who want some more money. It could be used to pay down the deficit. It could be done in a variety of ways.

What is your feeling about something like that, of allowing the private sector to stay in the rental part of the economy so that we do not need to put public sector dollars that could and should be used for other things? What is your feeling about that? Maybe you could comment about the billions that would be saved in that area.

Mr Bidgood: Your basic premise began with a statement about looking beyond compassion from government. Is that correct?

Mr Carr: I said social programs do not depend on the compassion of government, they depend on money to pay for them.

Mr Bidgood: Actually, in some degree I agree with you, in some degree I do not. I think that to date the discussion has been almost completely on how do we pay for it and the question of compassion of government has essentially gone out the door. People have forgotten to ask questions about both federal and provincial governments' commitment to their peoples.

I would never presume to suggest what is the equitable relationship between private sector and public sector interests with regard to stimulating the economy or things of that nature. However, I think it is a very valid stance for us to sit back and reflect, as you had mentioned, about issues about compassion; to forget—and I should not say this in front of a finance committee—but to put finance aside or at least consider for a moment social cost and the very principles, the values at stake here, which I think are tantamount or equally as important as the fiscal considerations, and I think it has been completely obscured with this particular budget.

Mr Christopherson: I thank you both for the presentation. I have had a chance to meet and talk with you both before, of course, at public sessions in Guelph where we

talked about this very issue, and I would like to again applaud your efforts in doing everything you can to heighten the awareness of this important issue.

Just before I ask a question of you, I think maybe it is important to put on the record that I find it curious that one of the previous members was asking a question about how you got on the speaker's list and where the invitation came from when we know full well that at least one of the groups we have met with, the chamber of commerce from one of the communities, had its invitation faxed from the Liberal Party headquarters. Nobody is making any bones about that; it is part of the process and that is the way it works. I find it curious that there is an attempt to try and suggest that there would be something wrong in anybody being encouraged to come forward and speak out.

If you recall when we spoke before, prior to the case being made public on the cap on CAP, it was a low-profile. There were very few people who really were paying much attention to the issue of transfer payments between one level of government and another. My question to you is this: In light of the attention that it has gotten recently and the fact that the Premier of Ontario has said that this issue is so important to Ontarians that he now considers it to be on the constitutional talks agenda, do you think that we are succeeding in getting this issue on the agenda of the people of Ontario, or is it your opinion that over a short period of time it will fall away and again it will get lost in the dust of all the issues that come forward? I would just like your opinion on that, please.

Ms Brownell: I think it is a constitutional issue. I think people have a right to quality of life, and if the provinces who are being most seriously affected by the cap just lie down and play dead, then we are really in trouble. I think that this particular province has to keep up the song and dance. We have to keep up the publicity around some of the major issues regarding Bill C-69.

Mr Bidgood: Actually, I think that the entire issue regarding Bill C-69 has been one of the most interesting campaigns of selective inattention probably in history. There are a number of people who have alluded to what this may be so. I will not bother the committee with that here today. However, when the provincial government gets hit with a \$400-million cutback, it receives fifth-page media attention. When one person representing, let's say, business interests or something of that nature wants to do some welfare-bashing, it gets a full page on the front page of one of the Toronto papers.

I do not understand why people have not been more concerned regarding this issue, because for me it is one that speaks to the very social fabric of our society. However, I can only hope that with the provincial government taking this as part of the agenda for constitutional talks, it will not become part of the back bench again and it will continue to be an issue that will burn in the minds of the citizens of Ontario for quite some time to come.

The Chair: I would like to thank you for appearing before this committee.

BRANTFORD AND DISTRICT LABOUR COUNCIL

The Chair: The next group is the Brantford and District Labour Council, Mr Garry MacDonald, president. Would you come forward, please? I would like to welcome you here to the standing committee on finance and economic affairs and the budget review. You have 30 minutes for your presentation. In that period of 30 minutes, you can leave someone near the end of your presentation for question and answer from the three political parties of the government here. You may begin.

Mr MacDonald: My name is Garry MacDonald and I am here today representing the Brantford and District Labour Council. As president of the labour council I am very much aware of how provincial economic policy affects Brantford. In my brief before this committee today I am going to focus on the particular concerns of Brant county and our relationship to the provincial economy.

The Brantford economy is dependent on our manufacturing base. Here, 33% of the workforce is in manufacturing compared to the provincial average of 22%. The workforce here is also younger and less educated than the provincial average, which makes manufacturing employment essential to the local economy. As we know, in a recession, manufacturing is the first sector to suffer and the last to recover. Brantford's experience in the last recession 1981-82 can be submitted as proof of this statement.

In fact many people believe, including myself, that Brantford still has not recovered from the 1981-82 recession. The closure of Massey Combines and White farm equipment was directly related to the previous recession. The economic downturn 10 years ago crippled agriculture in North America along with the federal Liberal government's high-interest-rate policies and the Conservatives who followed with the same policies. Farmers no longer had resources to purchase agricultural implements which had been Brantford's most famous and most profitable industry. Massey and White together employed 8,000 to 9,000 workers. These were high-wage jobs that supported the local economy.

Recent reports from Kitchener estimate that with the loss of 2,000 Uniroyal Goodrich jobs, 2,000 to 3,000 support jobs would be lost. Using the same formula, the closure of Massey and White affected from 15,000 to 20,000 families in Brant county, which is almost half of the entire population of the county. As the high-wage jobs Massey and White supplied left Brantford, the jobs that came in their place were fewer and lower paying. While most people speak of the 1980s as a period of unrestrained growth, that did not happen in Brantford.

Following close behind the closures of Massey and White was the present recession. In this recession the manufacturing sector was even harder hit—the loss of 76,000 jobs in Ontario's manufacturing sector. This recession caused the loss of 102,000 jobs. In percentage terms, the loss is 9.9% of Ontario's manufacturing jobs this time as opposed to 7.2% last time. As 43% of all jobs lost in this recession were manufacturing jobs, I want to emphasize

what this means to a community as dependent on manufacturing as Brantford.

In Brantford, this has meant the closure of Galtaco Redlaw, Fruehauf, Solaray, Chicago Rawhide, Sprout-Bauer and Penmans. This has resulted in an increase of people collecting unemployment insurance and families collecting welfare. UI recipients increased by 54% from June 1990 to June 1991. The economic devastation that has visited Brantford is better reflected in the welfare case load. With the uncaring and hard-hearted reduction in weeks for UI eligibility, Brant county social services' case loads have gone through the roof. From July 1990 to July 1991 the case load has increased 115%.

With no new large manufacturing plants moving into the area, the scenario over the past years for many Brant county workers has been the loss of their jobs, reduced weeks of UI, and after that runs out there are few options but to rely on the overburdened welfare system. Even as we see UI recipients decline by 503 from June to July, we see the welfare case loads increase. This indicates that many people are seeing their UI benefits run out and must seek social assistance before they find employment.

Some estimates indicate that 10% of the population of Brantford is collecting welfare. This does not include those people collecting UI or family benefits. At the Brantford food bank the total number of people using food bank services in the first seven months of this year is roughly the same number of people whom the food bank served in all of 1990.

I am pleased to see that the province has seen fit to fund the unemployment help centre so it can continue to house the Brantford food bank. The \$75,000 the province has provided will also allow for the much-needed expansion of services to include training and retraining programs, but this does not address the fundamental needs of the Brantford economy.

If no new manufacturing jobs arrive in our community, a community which is already growing slower than the provincial average, what will become of Brantford? As Brantford has been so hard hit by this recession, the attitude of the federal government with respect to transfer payments has been deplorable.

The federal Tories cut \$1.6 billion from federal transfers in health, education and social assistance. To cover these shortfalls in Brantford, health spending would have to be cut by \$26 million. This would throw even more people out of work as those cuts would probably be made in nursing and support staff.

Education spending would have to be cut by \$14 million, throwing numbers of teachers out of work. This would put an even greater burden on the welfare system as more capable, hardworking people would be on welfare just so the Tories could prove some political point.

Our estimates conclude that for social service spending alone, Brantford would have to come up with another \$11 million. Where would our city find this money? In a city where close to 10% of the population collect general welfare assistance already, where nearly half the families in the county have been affected by a layoff of some type, would the federal government prefer that the residents of Brantford

lose their homes as well? The property tax increases that would have to make up the shortfall in transfer payments would have to go through the roof to maintain a welfare case load that has gone up 115%.

Many Brant county residents would lose their homes, particularly seniors on fixed incomes or workers who have already been laid off and are waiting for this made-in-Canada recession to end.

The alternative to raising taxes is to allow people to go hungry, without shelter. Perhaps this is what the federal government had in mind when they cut the transfer payments. As 40% of people receiving social assistance are children, the only possible conclusion is that the federal Tories are in favour of child starvation—

Mr Stockwell: That's dumb, Mr Chairman. That is just the dumbest thing I've ever heard.

The Chair: It is a presentation—

Mr Stockwell: It is a presentation. I can question it, but I am going to speak out on this to go on the record—

The Chair: Yes, you have that right.

Mr Stockwell: That has got to be the dumbest thing I have ever heard anyone say.

The Chair: This is a witness before this committee.

Mr Stockwell: It may be a witness, but the statement is that the federal Tories are in favour of child starvation.

The Chair: You can make your statement after.

Mr MacDonald: Can I continue?

The Chair: Carry on, sir.

Mr MacDonald: Thank you.

Mr Christopherson: It is still a free province.

Interjections.

Mr Stockwell: That is what makes it free.

Mr Christopherson: Wait your turn.

The Chair: Carry on, sir.

Mr Stockwell: Sometimes you speak out when statements like that are made.

The Chair: Mr Stockwell, everybody has his opinion.

Mr MacDonald: Maybe he could come to the food bank in Brantford and see them.

Mr Stockwell: I have been to a food bank before—

The Chair: Mr Stockwell, let the gentleman finish his presentation. You may question him after.

Mr MacDonald: Okay, thank you. Provincial Conservative leader Mike Harris spoke only a few days ago about welfare recipients when he stated that he was not in favour of paying people to stay home and do nothing. Does Mr Harris suggest that the 40% of social assistance recipients who are children take to begging in the streets?

I can assure all members of this committee that the people of Brantford are hardworking people who would rather work than collect welfare. But without jobs, without a place to work, what other alternative is there? None of Mr Harris's wealthy friends have been kind enough to locate any of their plants here in recent years. What Brantford needs is industry, not political hot air.

I realize that the money for assistance must come from somewhere. However, working people currently have more of a tax burden than they can endure. I cannot speak in favour of tax increases. I also realize that the provincial tax revenue decreased this year over last year. As consumer spending decreased, revenue from provincial sales tax did as well. I also cannot speak in favour of government deficits that may end up being financed on the backs of working people. However, in fairness, the provincial government had some difficult decisions to make.

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I am glad the province has recognized that in Brantford we cannot just give up and close the doors. We cannot allow children to go hungry. We cannot allow workers down on their luck to lose their homes. The provincial budget that has been criticized by every blue suit on Bank Street means that in Brantford children do not have to go hungry and workers do not have to lose their homes.

In this budget that has been so essential to the Brantford economy, just maintaining the spending levels affected by the Conservative cut in transfers pushes the deficit to \$8.2 billion. However, this still does not address the primary problem affecting the Brantford economy, the lack of jobs. Our estimates indicate that the anti-recession projects included in this budget have created over 500 jobs for Brantford. Many of these projects, such as the relocation of the Brantford Public Library and the boiler conversion project at St Joseph's Hospital, may have had to wait years before the city had the funds to see them carried through. It is true that these projects are make-work projects, but at least they employ considerable numbers of workers who would otherwise be unemployed or on welfare. Over \$5.15 million has been allocated to Brantford county anti-recession projects. Without these funds and jobs they have created and maintained, the social safety net in our city would have an even greater burden. This city has fallen on tough times, but without this provincial assistance, times would have been even tougher.

I mentioned the Massey Combines Corp closure earlier in this brief and I want to speak of that closure again to indicate perhaps the most necessary feature of the provincial budget. The wage protection fund established in this budget is long overdue. Many former Massey workers have not received their severance pay from the closure of Massey Combines over three years ago. The hourly workers have been forced to settle for less than what they were legally entitled to receive under the Employment Standards Act. Varsity Corp, the parent company of the former Massey Combines, has fought every dollar in compensation to these laid-off workers. Many reached the social assistance system earlier than they would have, had Varsity Corp acted with the responsibility that an employer should.

As of March 11, 1991, in the region that includes Brantford, over \$6.4 million in severance pay and over \$3.6 million in termination pay did not get to the workers who were legally entitled to receive these funds. These totals are from only six months after the fund was announced. Workers should not have to suffer from the mismanagement of employers. Employers should not be able to hide behind the federal Bankruptcy Act to avoid their

al obligation to laid-off employees. I am glad a government finally recognizes that workers in a plant closure do not have the golden parachutes executives have. My only regret is that the wage protection fund comes too late to help those involved in the Massey closure.

I do not want to give the impression that Brantford and the strict Labour Council is 100% satisfied with the provincial budget. What this city needs is jobs, not handouts. Fortunately, with the existing free trade agreement, industry is choosing to locate in the southern United States near Brantford. Soon, with the attitude of the federal Tories, industry will probably be choosing Mexico over Brantford. This city was once the third largest manufacturing centre in Canada; we are now in an emergency situation. We have been in this situation for some time and are tired of governments ignoring our local problems, but we are grateful that at least the provincial NDP has chosen to fight the recession and help Brantford get through these difficult times. No government is perfect and if not controlled this deficit could become unmanageable. But I understand that the per capita debt in Ontario is less than the per capita debt in Canada as a whole and less than many other provinces.

Many so-called economic experts are stating that the recovery is under way. I agree that without the initiative of the provincial government, this apparent recovery would not be taking place. However, for many of the reasons I have outlined in this brief, Brantford may not feel this recovery for some time. We will need help until we can get our people to work. Economic recovery here will not be complete until the high-wage jobs like those the farm implement industry supplied return to Brantford.

Considering the pressures the NDP government is under, I am satisfied that this budget is the best they could do. This is, after all, a government made up of working people who at least understand the pressures that working people are under. As for the critics of this budget, I think I have outlined the economic devastation they would have brought to this city if they had blindly followed Brian Mulroney's plan. I feel proud that Ontario has stood up to Mulroney and taken a different approach. Perhaps with a different government in Ottawa such extraordinary measures that the NDP has had to take would not have been necessary. Thank you.

The Chair: We have about four minutes for each one of the parties, starting off with the official opposition. Mr. Stockwell, you—

Mr Stockwell: Official opposition?

The Chair: Third party, I should say. I just promoted you.

Mr Stockwell: No, no questions.

The Chair: Mr Carr.

Mr Carr: I have in front of me a poll that was commissioned and it talked about how in the 1991 budget the federal government introduced a new law to limit increases in government spending. "Do you strongly agree, somewhat agree, somewhat disagree or strongly disagree the Ontario government should pass a similar law?" It was interesting to note that 77% of the people who said they

voted for the NDP supported that; for your record, 90% that were Conservative and 79% that were Liberal. Basically, the people of this province are saying there should be some controls on government spending and yet you come here and say there should not. Why the discrepancy among people who said they voted NDP, when 77% say we should have some type of controls?

Mr MacDonald: I am not saying there should not be some controls and I am not saying that we want a deficit that is going to become unmanageable or get out of hand. I think I mentioned that.

Mr Carr: Will become unmanageable?

Mr MacDonald: I said "could" become unmanageable.

Mr Carr: I think it will.

Mr MacDonald: I think you should maybe look at Brantford—I do not know where that poll came from, if it was all over Ontario—

Mr Carr: It was Ontario.

Mr MacDonald: I think anybody who lives in Brantford and has seen the plant closures in this town and the loss of jobs since 1981 would say they have to do something. Something has to be done in Brantford. If that is what it takes to get the economy going, if that is what it takes to get our people back working, which is going to help reduce the deficit once they get working, I would agree in Brantford something has to be done. Brantford itself, I think, has been one of the hardest-hit communities, next to Kitchener which is going through some tough times right now. But if you go through the number of plant closures that we have had: big plants, not just little plants, 8,000 people; Fruehauf, a couple of years before they closed, had close to 600 people and I think when they closed they were down to 260 to 270 people; Solaray, places like that. It is a disaster.

Mr Stockwell: You spoke of Varsity. Were you in favour of this government's position of holding the door open while they left the country?

Mr MacDonald: I do not think they held the door open. If that is your opinion, it surely is not mine. I think they did the best they could with the situation. It was getting to a point where the people had been sitting there for so long, something needed to be done. I do not think I would say they just let them walk out.

Mr Stockwell: You did not support their position previous to the election? Their policy previous to the election was quite different than what they in fact adopted after they were elected.

Mr MacDonald: I am not aware of what their actual policy was prior to the election, so I could not really comment on that.

Mr Stockwell: Obviously it did not matter. Thanks.

Mr MacDonald: Well, yes, it did.

Mr B. Ward: We would all like to thank you for taking the time to come out and present your views on behalf of the labour council. Some of the statements made in your brief perhaps upset some people on the committee, but here in Brantford we speak our mind and I do not think we

should be ashamed of that or apologize for it. I think we are a tough community here of hard-working people and other people may not be used to that. Brantford has experienced tough times and I agree with you that those tough times have existed since the early 1980s.

Our government attempted to cushion the economic blow working people have faced not only in this community but throughout Ontario. I think it is no surprise that tough times are experienced in Windsor, experienced in the Niagara Peninsula, experienced in the east, experienced in the north. In fact, I do not think the north has ever had economic prosperity. What are your feelings on the direction our government is taking in Durham-Brantford? Should we have cut back and made things worse? Should we be continuing on the direction that we are heading?

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Mr MacDonald: In my opinion, being close to Brantford and seeing the number of jobs that we have lost, if they would not have gone in the direction that they are going—which I would commend them for doing; something had to be done to get a jump start out of this recession. I think they did that. I am not saying they went far enough, but I think under such difficult times they did an adequate job. Brantford, and I would like to state it again, is one of the communities that are really hard-pressed. I may use a few strong words but I do not regret them because we have many families that have lost their homes. I have people I know that used to have jobs. They are coming in to the food bank now, they are in such a bad situation. The number of lost jobs in Brantford has just been a disaster.

Mr B. Ward: I think for this province to continue to prosper and head towards recovery in the future, greater co-operation is needed among labour, business and government. I think an example of that occurring successfully is the Harding Carpet plant where there is give and take by all three groups—private sector investment, government financial assistance and employee commitment—to lead to success. Do you think that could be built on both locally and provincially if not nationally? Do you think that is something we can do?

Mr MacDonald: I think it needs to be done. I think it is something that should be done. Harding Carpets is a good example of it. This community needed that. If it had not happened, if all parties had not got together and worked at keeping that place there, you were talking about losing another 200 or 300-odd jobs. I think it was done in the best interests of everybody concerned.

Mr B. Ward: The one last question, and perhaps my colleagues may have one, is the relationship between the labour council and the chamber of commerce. Do you think the willingness to work together has been improving over the years, as well as with local government? I would like to think that Brantford is a first in many areas. Do you think that perhaps we could show the rest of the province how co-operation can benefit a community?

Mr MacDonald: Definitely. I think there is a great need for it. I think it was started a little bit prior to my time. There have been some ongoing things that were

started a few years ago with the chamber. We do have some things that are ongoing with them. We involve them. We involved them last year, or I think it was the year before, when labour themselves approached them about being part of the United Way with us and stuff like that. You have to have some kind of working relationship. You can make your community grow and Brantford does need some growth, definitely.

Mr Kwinter: Mr MacDonald, I heard your comment about Brantford as if Brantford is something special. Should you tell me that there are many communities in Ontario that are suffering as badly as, or worse than Brantford. I can tell you of places like Collingwood, Cornwall, Windsor, where they have far higher unemployment rates than they do in Brantford. I am not saying that to make you feel any better. What I am saying is that it is not a problem that is peculiar to Brantford, it is a problem that is peculiar to Canada, to Ontario and our manufacturing sector.

What you are saying is we need jobs. That is number one. Those jobs can only be created by people investing and deciding they are going to put some manufacturing capability into Brantford or any other community. How do you think an investor feels, whether he be—a Canadian investor we will discount, because they are here—but foreign investors, when they hear representations that have been made, particularly to this committee, by some labour councils who are condemning American investors, multinational companies who are coming in here, condemning business, condemning their attitude towards profits, so that on the one hand there is this anti-business feeling and on the other hand there is the feeling we need jobs? Who is going to create those jobs and how do you expect to entice them into a jurisdiction where the feeling is they are not terribly welcome other than, "We do need your jobs." There seems to be a kind of a conflict; you want the jobs but you do not want them. How do you deal with that?

Mr MacDonald: You said "other labour councils." I do not think in my brief here today I mentioned that "profits" was a dirty word or anything like that. I understand that to have a secure job you have to have profits. Companies invest to make money; "money" and "profits" are not dirty words, at least not in my line of thinking. The more profitable the company is, the more secure your job is going to be. As you said, you stated "other labour councils." I am not saying their views are wrong, but I am not sitting here today either saying that "profits" is a dirty word. I understand to create jobs, to create a base for jobs, you have to have companies willing to invest in your community. I understand that. I am not here today suggesting that "profits" is a dirty word. I work for an American company. It is totally owned by an American company. We have a good working relationship with that company and it is unionized; it is Rubber Inc and they are based out of Denver.

Mr Phillips: Thank you. I appreciate your presentation. I said to the other labour councils, "I never thought I would see the day when a labour council would come in and congratulate a budget that calls for unemployment this year of 10% and next year of 10% which, had that happened in any previous governments, a Conservative or Liberal

vernment, I think you would be up and down the back the government because those levels of unemployment clearly unacceptable."

My question to the labour council really is—I am not sure at your relationship is with the NDP; certainly many of unions directly support the NDP; I am not sure the our council does. I am just curious about how the lab-council will resolve the possible conflict if in fact you sitting here a year from now, or your successor is, and are looking at what they call for, unemployment rates 10%. Will you feel kind of at odds, because on one hand ganized labour officially supports the NDP government ancially and in other ways it is a government that has a possibility for creating jobs. How will you and your our council reconcile the challenges of that?

Mr MacDonald: Addressing that question, I understand what you are saying. As a labour council president representing different unions and organizations that belong the labour council, I understand their problem with the mber of people laid off because this recession has been t as bad on some other communities as ours. But because of the recession and the number of jobs lost—I am t saying that we would say 10% is acceptable. I do not nk it is. I wish we could get it down more quickly.

You are talking about a government here that has just me in in very bad times. Just prior to that, taking Brant-d as an example, I think we had over 10% even prior to t. As I have stated, our economy, in my opinion and ne other people's opinion, has not really come back ce 1981-82 when we had the big plant closures. Those cices I mentioned have been steadily going down over the t few years. Our numbers here have stayed high since out 1981-82. I am hoping the NDP can turn it around d create more jobs.

The Chair: Thank you, sir, for your presentation.

ONTARIO FLUE-CURED TOBACCO GROWERS' MARKETING BOARD

The Chair: The next group is the Ontario Flue-Cured tobacco Growers' Marketing Board, Mr Albert Bouw. Welcome to the standing committee on finance and economic affairs on the budget review. You will have one lf-hour in your presentation and if you can save some e at the end of your presentation, the three parties ould like to ask questions.

Mr Bouw: Thank you, Mr Chair. I probably will not e that much time and I will gladly answer some questions. do not have a formal presentation. However, I do have e or six issues that I wish to bring forward to this sitting.

Being a tobacco farmer and representing the tobacco oducers, we were obviously very disappointed in a bud-t—the first budget by this government, by the way. It ose to take the easy target—tobacco—as an easy way to ise funds. We had hoped that this new government aybe would take a different view or different approach as how it was going to deal with this particular issue. To s point, it has not chosen to do that.

I might add that this year when the federal vernment's budget came out, being much worse than the vvincial one, we were in the midst of crop negotiations.

We had to recess for 10 days for the domestic manufactur-ers to go back and re-evaluate their needs. We could not wait for a provincial budget to come out because we have to allot quota to our producers by a certain time because of cultural practices and farming procedures. Due to the federal budget we lost 23 million pounds in 10 days—multiply that times \$2.48 a pound and that is a lot of dollars. That is just in one fell swoop. Then, as I say, the provincial budget came after that. Probably what will happen and what normally happens, they make adjustments for that the following year.

Just to raise once again, and I am sure you have heard it many times before, what the value of taxation is as far as this province and this country, the numbers are pretty staggering. For the federal tax it is \$2.31 for a package of cigarettes, which since 1986 has increased by 178%. The Ontario tax is \$2.05 per pack of 25, which is up 144% since 1986. In that same time period consumer price indexing went up 21%. We have always said many, many times to former governments, and we say it to you now, that we can live with taxation as well as anybody else. We want to pay our fair share. We would probably even be willing to pay a little bit more than our fair share, but certainly we do not want to try to carry the whole country on our backs.

To give you another example, the total tax for a package of cigarettes in this province is \$4.38. I can go to Detroit or go to Buffalo—and a lot of people are doing it—and buy those same cigarettes for 74 cents. So the difference is \$3.64. We are talking only tax here, we are not talking about the product. The product is really insignificant in this little story.

I, as a grower, receive 11 cents a pack. Governments receive \$4.38 for that same pack. The package itself costs as much as we, the growers, receive. That is fine, we can also live with that to a point.

The tobacco-producing area does not encompass that many ridings—three mainly, and some surrounding ridings. I could relate to you that when governments started these taxation issues back in 1981-82, when they started with them in earnest, we were producing 215 million pounds of tobacco. Today we are producing 130 million. That is a loss per annum of \$170 million to the growers—\$170 million per year taken out of our communities, out of our local economy. That is why so many of our local businesses have gone out of business today. That is why if you drive through Delhi, if you drive through the Tillsonburgs, the Simcoes and the Aylmers and some of the smaller places—the Langtons and the Stratfordvilles and so on and so forth—these businesses are not there any more because \$170 million a year is directly taken out of the farmers' pockets.

The numbers are actually very scary. One tobacco farmer producing 100,000 pounds of tobacco, and that is about average today, contributes through that 100,000 pounds of tobacco that he grows each year, through taxes that governments collect, \$4.9 million. That is what a little, 100-acre tobacco farm growing 100,000 pounds of tobacco generates every year: \$4.9 million. A staggering number. What it has done—it is no secret, we hear about it every day—is encourage smuggling. We heard about Oka last

year and there were a lot of things said about Oka. I dare suggest one of the underlying issues in Oka was a \$500-million business in a little community like Oka where there were 76 outlets to buy cigarettes. That is what Oka was about, one of the underlying issues that never really came to the surface: smuggling.

What is happening in all our local little communities, the Delhis and so on, is happening all over the country. The Mac's milk stores and the Becker's are getting robbed left and centre every other day. People are afraid. They are not taking the money, they are taking cigarettes. I mean, the stuff is like gold. Why is it like gold? Because there is a \$4.38 tax on it in the province of Ontario.

Smuggling costs us as growers. We grow tobacco in what we refer to as domestic export pounds. This year we are growing some six million pounds of that. That tobacco is for duty-free export stores, for ships, for airlines, and so on. I think we all know that a heck of a pile of those cigarettes—and I do not think anybody knows the real number—are being smoked in Ontario. We sell that tobacco at roughly \$1.40 or \$1.45 a pound. We receive \$1 a pound more for our domestic tobacco. Of the six million pounds, let us assume that half of that is legitimate and not coming back in. There is \$3 million that, because of smuggling, we as growers are directly losing.

Then there is the issue of the 6.4 million smokers. Where are their rights in this particular country? I think all of you should read the 100-and-some page judgement not too long ago by Judge Chabot, which I guess is now being appealed. He makes very critical comments about what governments are doing or trying to do with this industry. The federal government was told by its advisers and lawyers before Bill C-51 was ever put in place that it would not stand up under scrutiny. Social engineering, I believe is how Judge Chabot refers to it. I would not like to see that happen in the province of Ontario any further than it has.

Back to the point of the farmer: I am a farmer. There are about 1,200 of us and we have about 1,600 farms. In other words, some people have more than one, so they have what we call share-growers. So there are 1,600 units being produced. We employ about 20,000 seasonal people—not a small amount. You add to that the distributors, the manufacturers, and in total the industry probably supplies some 60,000 jobs. I might add, if you do not know—and I am sure you do know—that in 1981-82 there were 2,600 of us. Now there are 1,200. As I said earlier, we have lost some 85 million pounds of production annually over those years and \$170 million of direct revenue to farmers.

Nobody I am aware of has said that tobacco production is illegal in this country, or that tobacco smoking is illegal. Nobody has yet said that. And who are the smokers, really? I think we all know who they are. They are farmers like myself, people who work in factories, lower-income people for the most part—that excludes MPs, of course—and people who are on fixed incomes. Do you know there is only one group where there is an increase in consumption, and by whom or what sector?

1510

Mr Kwinter: Young women.

Mr Bouw: No sir, senior citizens is the only sector smokers where actually there is an increase in consumption. You have these old folks homes and all of a sudden they are going to that extreme. The other day I saw a person who had his leg cut off, he is 83 years old. He is sitting outside, for crying out loud, like a criminal. That man is 83 years old and you are going to say to him, "You can't smoke"? Ridiculous. I could go on about this subject for hours and hours because we have had to talk about many times for quite a few years already.

One further thing: the budget itself. One of the comments in the budget which bothers us—the same type of comment was left in the federal budget—is that the provincial government is putting together what is called tobacco control strategy. I have unsuccessfully made some inquiries about what this legislation may be. My simple question has been: can we have some input? Is there room for that? The first time I asked this question they said "Well, it hasn't passed yet so you don't have to say anything yet." I said to the gentleman I was talking to, "Well, it's after the fact." We would like some prior input if there is going to be such a policy. Like I say, I have no idea what that is going to be.

For this industry to survive, we as an organization have had a conscious decision that we now have to seek more export markets, because the domestic market does keep continuing to decline. We have to compete more against the Brazils and the Zimbabwes. That is our competition. It is not the United States. So we have to compete against 60-cent-a-day labour. We pay \$65 a day plus provide accommodations and housing and God knows what else. We feel we probably can do that in the long term. We are prepared to pick up that challenge, but we need some help. We need help because governments have not left us alone.

We put our five-year strategic plan together like we have done for the last eight years—this year starting a new one. The governments come along and do this to us overnight and we have absolutely no control over that. They tax the hell out of a product that, as I said before, is legal and collects some \$8 billion a year for this country. They owe our industry more than what it has received in return up to now.

We need support in finding new export markets. Anyway, governments have been to a degree supportive of that in the past. We need more people in other countries. I am talking Asia specifically now, where the province should be putting people in place so they can deal with the Asian type person. I do not mean that in a derogatory way at all. They do business in a different way and we feel in order to be successful in those countries you have to have people on site regularly.

For the longest time we produced to a ratio of 65-35—65% of our crop was domestic and 35% was export. This particular organization, this board, has been in existence since 1957. Before that there was an association. So we have been around a while and have been exporting a long time. We do it to a lot of countries. We no longer can take the load alone. We need support through the transition, the

sition of going from that 65-35 ratio to almost a 50-50 ratio this year. I expect next year, for the first time ever, a switch to where our production will probably be more export than domestic.

As I said earlier, we need to compete against these Asian countries. We are prepared to meet that challenge. We need some help in the interim. World prices on tobacco, believe it or not—and there is a lot of pressure on the world tobacco right now—are going up because there is a shortage everywhere, except of course in Canada. For that transition period we need some support from government. When I am talking support of government, I am talking dollars. I am not talking in terms of an airplane ticket—because we will take that too. I am talking in terms of hard dollars to meet the competition. Because things are changing there too. For example, in Zimbabwe their labour increased by 18%, which obviously we like to see, because maybe those fellows will be able to buy a TV set some day when they get hydro. Of course when people get accustomed to better things, they want more things. That is the way human nature works.

So we feel that the world price will continue to move, in the interim, until we can become competitive with these people—and I will give you a further example. We go to the United Kingdom. Tobacco coming into the United Kingdom has 22% duty on it. Tobacco coming from Zimbabwe into the United Kingdom has zero duty. Even if our tobacco were exactly the same price, we have a 22% competitive disadvantage. Coming from Brazil it is 7%. Some of that is offset through transportation, because it is a longer way. We have asked the federal government in that particular case through the GATT to give us some support there, but we all know that is not there yet either.

Once again we will pick up the challenge. We have asked up the challenge. We will continue to lose production, so the REDOX program—and Mr Jamison full well knows what the REDOX program is all about although none of the other members may not. We need continuation of that particular program, which has been supported by both governments for the past five years, but more than that, we need government approval.

I believe at this point we have a nod from the federal government that it is prepared to move in this direction to help with our plight, because I think, I hope, that it recognizes the damage that it has done. We have asked for this program to be put in place until the year 2000, because that is when we are supposed to have a smoke-free society and by the year 2000 we do have a smoke-free society and 1,200 tobacco farmers in the communities of Delhi, Isonburg and Simcoe are gone, then we will be asking for full compensation for an industry that was eliminated by governments. I think I have rattled on long enough and could answer some questions now.

Mr Jamison: It is nice to see you here. You are the second constituent from Norfolk we have heard from today.

I am very interested in your presentation and I have got a few questions, so I will ask the first one and hopefully I will get the second one in. The first question is, when you are talking about support programs and help from govern-

ment, when do you feel that should be in place to be most helpful to you?

Mr Bouw: When we put our crop agreements together this year through what we call a Tobacco Assistance Committee process with governments—both governments are involved in that, by the way, as well as manufacturers, dealers and ourselves, and that is what we call the TAC—part of the consideration at that time was that we receive support from governments on this export issue.

We will be opening our markets October 21. Last year, our growers received on average \$1.98 for their tobacco. This year our contract is less than the previous year, because of this export issue. In order to communicate with our producers their support from the governments, we need—and at the early point it does not have to be publicly—by October, November, a positive signal from government that it is supportive of our request as to how it will treat this transition period as far as helping export markets.

That is imperative, that by October, November, whether it is direct communication to myself or to our board, at that particular time when our growers receive their final cheques, they can count on the support of the government. I might add, our market is completed in February. Realizing budget constraints and so on that governments are under, and probably the fiscal year is March-April, but we need the communication—as I say, it does not have to be done openly, as long as it is communicated to us directly—that we can have some confidence that when we are dealing with the following year, because we start those talks right before Christmas, that when we are forming these negotiations and putting in our pounds for export—because export pounds are risky, there is no commitment from the exporter. We grow those at our own risk. The domestic stuff is guaranteed, but the export pounds, other than 40% of it, is at our own risk.

So before we start the talks for the following year, we have got to be able to communicate with our growers and say, "This is what the government is doing to support us with exports."

Mr Jamison: One point that I would like you to just verify is about land values. With the pressures that are on tobacco and tobacco farms and the growers—of course growers have no pensions, they have invested everything in their farms. At one time when tobacco was good, certainly there were farms that sold for \$1 million. Of course when times are not so good or the outlook is not as good in tobacco, and I am not saying that probably will not change, but what is the effect on the grower and especially the grower that bought in the 1970s, and so forth?

1520

Mr Bouw: It is like any other industry. You are correct that maybe at one time they were a little bit overvalued. Certainly there were \$1-million farms, but a lot of people bought \$600,000 and \$700,000 farms in the late 1970s because the industry was just rolling along like it always had. So farms that were purchased for \$600,000, \$700,000, all of a sudden were worth the value of a house. So a 100-acre tobacco farm at one point—I could cite you more than one case where the farm was for sale and the

person interested in buying it was not a farmer. He went to the bank and he said, "I'd like to buy this property," and gave them the details. He said the banker said: "No, it's got 100 acres of land with it. Get rid of the land and you can buy the house for that price." So it got to that degree.

Mr Kwinter: I really welcome the chance to talk to you, because the tobacco industry is one that has been a conundrum for me in all the years I have been in politics and I think it is for every politician. I just want to outline the situation that most politicians find themselves in.

You have an industry—and it is in dispute, I know, by the industry—but there is a report in the paper today that 35,000 people in Canada lost their lives as a result of tobacco. The figure that is used in Ontario is 10,000 people a year die as a direct result of smoking of tobacco. You have a situation where there is not a government that has got the guts to take a stand and finally say, "Look, we don't want this product grown," but if it does that, it gives up a lot of tax revenue, which is a problem.

So they sort of leave you hanging in the wind, really, because they will not put you out of your misery because they want the tax revenue. They have got this other problem at the other end where they have got these health costs and they have a product that you cannot advertise properly. You have got to put warnings on it that it is bad for your health. They do everything to put you out of business but keep you just going well enough so that you can continue to pay your taxes.

How do you deal with that as an industry? I mean, how do you come to terms with that?

Mr Bouw: I was on an airplane the other day and reading in a magazine how a gentleman comes to his usual restaurant and sits down and says to the waiter, "I'll have the usual." The waiter says, "Sorry, sir, I'm new here, so I don't know what your usual is." "Well," he says, "I'll have soup, a salad and I'm going to have the pork chops today and I'll have coffee and dessert." "Excuse me, sir, the soup you're referring to, do you want base stock or do you want soup stock with just water?" He says, "I want the good stock." The waiter says, "Sir, that has got a lot of fat in it, it's not good for you." "Oh, okay. Well, forget the soup. I'll have the salad." "Well, sir," he says, "maybe you should think about that. That salad's been washed in water and it's washed all the nutrients out and, God, I don't know if it's really all that good for you." So he says, "Well, forget the salad." He goes on to the pork chops and so on, and I will not go through it all, but he got to the end and of course he had eaten nothing. There was a glass of water and, "Gee, sir, you know, there's chlorine in it," and it does this, and so on and so forth. So the guy gets up and says, "Well, I guess I'm not hungry today," and he leaves and the waiter follows him. "Sir?" "Yes?" He says, "It's not good that you don't eat. You should eat three times a day." By that, the gentleman grabs his head, starts screaming and runs out the door and a truck runs over him.

That is in a roundabout way coming around to your question, Mr Kwinter. How far do we take all these issues today, as people, never mind as governments? I heard what you said about the 35,000 deaths. I have yet to see any

place where somebody can prove that to me and I am not going to get into that argument.

As a matter of fact, you talk about health costs. The government of the past did a study of its own which actually showed that the money taken from the tobacco industry by far exceeds the health costs, and that was in 1986. I suggest with my numbers, the tax-take has gone up 144% since then, so I imagine there are lots of dollars there.

I do not want to belabour that particular issue, because the problem—and I agree with you in a sense, saying that governments like the tax dollars and, yes, there is a perceived health issue, and I dare say how far or how real the health issue is, some day, I would like to get the answer to.

Basically, all we have so far is comments by Dr So-and-so and another comment by Dr So-and-so. There is all kind of documentation that can be provided on both sides. I do not know where that argument is going to end, but I agree with you 100%, it is a hell of a good way to raise money and so it is 90% dollars and 10% health. That is my opinion.

The Chair: I have to go on to the third party here. As you know, most of us here are divided on the issue of smoking.

Mr Bouw: It does not surprise me.

Mr Carr: Ron is not divided; he is an avid smoker and healthier every day.

The question I have and I think you are right, all of us coming from an urban riding, growing up, we are all coming to appreciate the problems that the agricultural community is facing. In fact, I think one of our members said in the last week when we were together for a little bit. Of course he is a farmer and he said, "There is something wrong in this province when we get more per ton for garbage than we do for my crops." Unfortunately, in the greater Toronto area, he is not far off with that. We are paying more for garbage to be trucked away and dumped than we are for crops and so it is a sad situation.

But I was interested in a couple of things you touched on. In the Southeast Asia areas, Japan, where cigarette smoking is fairly heavy in terms of population, I was wondering—you commented a little bit on the different tariffs and so on—what the market is for something like that. Is it tariffs that are keeping out, transportation costs? This may be just a naïve question, but are there any potential markets in the Far East.

Mr Bouw: We do sell tobacco, by the way, to Hong Kong and to China. We have not for a long time to Japan. We sell tobacco to Taiwan. So we do have some markets there.

But the real problem, in my opinion, with those markets—sure, the cost of transportation—is the Americans do a better job of selling themselves in those countries. I am only familiar with tobacco. When I refer to having more onsite people—the province of Ontario has good people there, I am not knocking them at all; Michael Loh who is in Japan, is an excellent person and there are other excellent people. There are just not enough of them. The Michael Lohs or the Tony Stamfords or whomever they happen to be who work for the province just cannot spread themselves that thin to really have a grasp of—I mean, how

any commodities or how many issues can you really deal with as one person, and do it well.

I think the province should have more onsite people to deal specifically with tobacco. I am not suggesting that, but do not expect the people who are over there to deal with every issue or every commodity product that the province has to sell over there. They cannot do it, so we need more people like that onsite.

The Chair: I would like to thank you for your submission to the standing committee on finance and economics on the budget review.

Mr Bouw: Thank you very much for giving me the opportunity.

The Chair: Thank you for travelling a little bit farther.

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ONTARIO PSYCHIATRIC SURVIVORS' ALLIANCE

The Chair: The next group is the Ontario Psychiatric Survivors' Alliance. Welcome to the standing committee on finance and economics on the budget review. You have a half-hour for your presentation. In that half-hour, you could possibly leave some time at the end of your presentation for questions and answers from the three parties present. If you would not mind identifying yourself for the purpose of Hansard, you may begin your presentation.

Mr Miller: I am James Miller and I am here today to speak on behalf of OPSA, the Ontario Psychiatric Survivors' Alliance, in favour of the provincial budget.

What is OPSA? The Ontario Psychiatric Survivors' Alliance is a self-help network for psychiatric survivors. OPSA has individual and group members all over Ontario.

What is a survivor? A survivor is anyone who has had serious psychiatric treatment.

Why self-help? By sharing our experiences both in and out of the mental health system, we can learn that we are not alone and not to blame for what has happened to us. In learning new ways to look at ourselves, we can begin to take control of our lives. Through OPSA you can get together with people who talk with you rather than at you; people who can really listen; people who have been where you are and got through it and can help you get through it.

What can OPSA do for you?

Support: OPSA can help you start or join a group in your area, and we can show you how to get organized and ask for funding. You can contact OPSA if you want to find out about peer support.

Self-respect: OPSA can help you feel better about yourself by providing opportunities to get involved, to make things happen and to help other survivors.

Advocacy: OPSA can help you find resources to deal with specific problems, as well as advocating for necessary changes in the mental health system.

Education: OPSA can let the public know that we are not just dangerous people. We can educate service providers and family members about what is important to us. OPSA members are available to do public speaking and media interviews and can show others how to do these things.

Alternatives: OPSA can help you create effective alternatives to current mental health services.

Communication: OPSA can help you find out how other survivors all over Ontario are dealing with personal and mental health issues. As an OPSA member, you will receive and can contribute to our newsletter.

Rights: OPSA can make sure your rights under the Ontario Mental Health Act and other laws are respected.

The funding that the government has given to us thus far has made a major difference in all psychiatric survivors' lives, because many jobs have come out of the funding for consumer-survivors. The funding has brought psychiatric survivors together to begin new lives for themselves by sending them to conferences, workshops, leadership training courses and providing consumer-survivor positions. Positions have become available with OPSA chapters across Ontario and consumer-run businesses, such as Quick-Bite Catering and Take-out downtown here in Brantford. For the first time in our lives, we feel our opinions really count regarding the many needed changes within the mental health system, and, boy, does this feel wonderful.

We believe and feel the need for continued funding is necessary to keep the psychiatric survivors' movement going. We still have a long way to go regarding the many changes that are necessary within the mental health system. By continuing your funding, we can assure you there will no longer be a need for psychiatric institutions.

We are having our annual conference in Toronto in September, called Rising Tide, and your financial assistance has made this possible for our members across Ontario to attend by providing funding. A lot of our members would not be attending because of financial reasons above and beyond their control. We will forever be indebted for your generous assistance, so on behalf of OPSA, I take this opportunity to say thank you. Your government is putting control back where it belongs, which is with the psychiatric survivors. If you need further information, please feel free to contact me at 1-519-752-4120. If I am not there, please leave a message and I will return your call.

The Acting Chair (Mr Christopherson): Thank you very much for your presentation.

Mr Miller: These are my two colleagues for support.

Mr Johns: My name is Eric Johns and I am a psychiatric survivor.

Ms McLeod: I am Margaret McLeod and I am also a psychiatric survivor.

Mr Phillips: I really appreciate your being here today. One of the things that interests me is self-help groups, and I appreciate your advice to us. I am led to believe that one of the first self-help groups was Alcoholics Anonymous. It has been enormously successful, and many other self-help groups have formed, not directly as a result of that, but it is perhaps one of the most effective forms of dealing with issues.

I am intrigued by your organization. Maybe you could just give us a little more information about whether there are chapters across the province, how many there are, how the thing works, because I have a feeling that for governments of the future, regardless of political stripe, organizations

like this may offer one of the keys to dealing with issues in a very cost-effective but efficient manner.

Mr Miller: There are several chapters located across Ontario. I do not know the exact numbers right now. Head office unfortunately did not give me that information, but right now there are several, from way up north to Windsor and that surrounding area. I am representing a southwestern region today when I speak, as well as the entire organization. Funding has come down at various levels of funding, and it has really and truly made a difference with all survivors, the fact that we are getting together, banding together, setting up self-help groups with local offices within our own cities and communities.

Mr Phillips: Where would there be an office right now that helps you? Is it here in Brantford, is it in London; where would it be?

Mr Miller: Right now I am in the middle of putting a proposal in for next week. Our proposal is basically done. All that has to be done is it has to be typed. I will be heading up our local office here in Brantford as the co-ordinator, so therefore it will come on to me as the responsibility to put this proposal in. We are hoping to be located in the downtown area for accessibility for all survivors to attend.

Mr Kwinter: Could you just clarify, is a survivor anyone who has been treated by a psychiatrist or is it a special kind of person who has been treated?

Mr Miller: Our definition is, and I will quote it again, a survivor is anyone who has had or is having psychiatric treatment. It could be ongoing or it could be a two- or three-time visit. So there are a lot of people included in that definition.

Mr Kwinter: I know lots of people who have had treatment because they have had a problem and they have been treated by a psychiatrist. Some of these people I know quite well. There has to be some *raison d'être* for your organization where they feel that as a result of that treatment they have to do something else, as opposed to someone who, once they have been treated—I am just trying to satisfy myself as to exactly what it is that you do and what kind of people come to your organization.

Mr Miller: A lot of people, unfortunately, have had many bad experiences with the system. There have been many questions arise because of different diagnoses, etc. For me, as an example, I was misdiagnosed as a manic depressive disorder and it turned out to be sexual abuse. They were so far off the money it was incredible. For me, I am very left-wing, and I do not mind stating that, because as far as I am concerned, and this is my position, we should tear down the system and rebuild it. Too many people are falling through the cracks and they are not getting the help they need at this point in time. If we can come together to help them, why not?

Mr Kwinter: That answers in part what I was trying to find out. In other words, the people who are survivors would be people who identify among themselves that they have been through the system and they were not totally satisfied with what happened to them. I would assume if they were totally satisfied you would never hear from them

because they had been cured or had the treatment that satisfied their needs and that would be the end of it.

Mr Miller: I do not believe that is true, due to the fact that we have people who are right-wing and very much in favour of the medical model and we have people who are middle-of-the-road and left-wing such as myself. So we have it represented way across the spectrum.

1540

Mr Kwinter: I am not talking politics, I am talking about people who are treated.

Mr Miller: We do have people who have never had a bad experience come out and join us, and those are the people who are the right wing in our organization. They do believe there are changes. Even though they did not have a bad experience, they are also working towards changes with us.

Mr Stockwell: I am having a difficult time understanding whether you are a self-help group or an advocacy group. The advocacy portion, as you said, would be to tear down the existing structure and rebuild it.

Mr Miller: What I have outlined there, what OPSA can do for you, we do self-help as well as advocacy.

Mr Stockwell: Then you are not receiving funding for your self-help? Alcoholics Anonymous is another self-help group that does not receive—maybe it does, but I do not think it receives government funding, does it?

Mr Phillips: No, it does not.

Mr Stockwell: So in essence, you are not receiving funding for your self-help work. That is just something you do.

Mr Miller: That is correct.

Mr Stockwell: Is the government funding then to fund your advocacy role?

Mr Miller: It is funding to help with all of those things that OPSA can do for you. By going out there and teaching per se, as myself, already a survivor, by going out there and sharing my knowledge with other survivors who are coming to us asking for help, that way in turn we are showing them how to do it and giving them alternatives to make proper choices instead of the constant medical model role.

Mr Stockwell: Would a policy of your group be to tear down the system?

Mr Miller: Not outright, no.

Mr Stockwell: That is your personal policy.

Mr Miller: That is my personal opinion.

Mr Stockwell: Do you find it difficult to receive government money from the very source that you are suggesting is operating less efficiently or improperly? There is a bit of a conflict there to me. If I were up against a project or a program opposing something, it would seem contradictory to me to take grants from them to fight with them. Do you find a bit of a conflict or contradiction there?

Mr Miller: No. As I said, I was speaking in favour.

Mr Johns: There are mental health issues in this world that we do not often recognize. For instance, I think we all have a moral imperative sort of thing, and that

ans working with other people who help you follow
ugh on what you start. For my money, everything that
n the outside comes from the inside. That is a moral
erative, mental health issue for me. There are real peo-
out there who have gone through political wranglings,
ink is a good word to say, in their own lives, family
itics, hospital politics, without the situation being made
t of to the powers that be, or politicians, if you will.
ere are real mental health issues that reflect a social
ironment. Politics, in a sense, has its own share of in-
ting and back-biting and back-stabbing.

Mr Stockwell: It is marginal, though.

Mr Johns: Marginal. I do not speak from a lot of
erience; I am not really that politically active.

Mr Stockwell: This is in fact how the group then
ne together.

Mr Johns: We were trying to seek alternative health
ctices that give us—

Mr Stockwell: More control.

Mr Johns: More control over our own lives.

Mr Stockwell: I see. That is a good explanation.

Mr B. Ward: I would like to thank you for coming
ward and presenting your views. I think it is important
t as many people as possible have the opportunity.
oking at Brantford, I think the local chapter is fairly
v, is it not?

Mr Johns: It is fairly new. Just this summer we have
ne together.

Mr B. Ward: How many people would be participat-
?

Mr Johns: Right now, there are perhaps seven of us.

Mr Miller: That number has actually gone up over the
ummer. It is now nine actual registered members here in
ntford.

Mr B. Ward: That is just Brantford?

Mr Miller: Just Brantford alone. As Eric just said, we
re formed back in July.

Mr B. Ward: I wish you good luck in the future.

Mr Johns: It is lots of luck we are going to need, too,
ause we are all trying to gain control over our own
es again. Hopefully there is life without psychiatry and
hout psychiatric medication. We like to think that we
live our lives responsible for our own actions instead
other people masking and taking care of us. God save us
m people who have nothing better to do than help us
inst our own will.

Mr Stockwell: How much money do you get in grants?

Mr Miller: I do not have actual numbers before me,
our local chapter is putting a proposal in and it is for
t a little over \$189,000 at this point.

Mr Stockwell: Is this the one that has nine members?

Mr Miller: We will be accessing the entire commu-
y. The numbers are there to support these kinds of dol-
s, these kinds of figures, because we will be doing a
jor educational component of this program that is being
it in and that will be included in our proposal going in.

Mr Stockwell: Okay. But right now you have nine
members and you are applying for \$189,000 in funding.

Mr Miller: That is correct.

Mr Stockwell: You are hoping to get more members.

Mr Miller: We will be having more members in the
near future but right now we are going to have to be doing
major education. That is the key.

Mr Stockwell: Has the funding been approved?

Mr Miller: Not yet, because I am in the middle of
submitting it next week.

Mr Stockwell: Thank you.

The Chair: I would like to thank you for coming be-
fore this committee.

ONTARIO WOMEN'S ACTION COALITION

The Chair: The next group to come forward is the
Ontario Women's Action Coalition. I would like to wel-
come you here to the standing committee on finance and
economic affairs on the budget review. You will have one
half-hour for your presentation and perhaps you can leave
some time at the end for a question and answer period. If
you would not mind identifying yourself for the purposes
of Hansard, and you may begin.

Ms Maher: Good afternoon. My name is Janet
Maher, and with me is Miriam Edelson. We are from the
Ontario Women's Action Coalition. That is a group rela-
tively newly formed which co-ordinates the activity of
equality-seeking groups here in Ontario, which includes
women's centres, women's groups across the province and
women's committees of other groups like unions and pro-
fessional associations. It also includes a number of other
provincial organizations that work on single or narrower
issues like violence against women, health care, and so on.

What I would like to do is speak very briefly, because
in fact we are more interested in responding to questions
from the committee. I would like to begin by referring to
the notes we have prepared for you and then Miriam will
add a few comments at the end of my presentation.

1550

Thank you for your invitation to appear before the
standing committee on finance and economic affairs. What
we have here and we want to refer to are some of the
representations we made to the Treasurer of Ontario in
February as he was doing his pre-budget consultations for
this budget we are speaking of now.

At that time we raised four main issues with him, as
follows:

First of all, the current spending priorities, which I
think was the main issue we wanted to raise with him.
Without dwelling on that issue, I think we pointed out that
women recognize the constraints imposed by the reces-
sion. None the less, we urged the government to act imme-
diately and resolutely on a few, what we thought were very
critical, money issues, as follows: (1) raising social assis-
tance rates over the next two years to the minimum guide-
lines of adequacy recommended by the Metropolitan
Toronto Social Planning Council; (2) meeting, as a mini-
mum, the NDP election promises on child care, housing

and community support programs to eliminate violence against women; and (3) implementing public funding for the interim pay equity adjustments that had been spoken about to workers in the chronically exploited voluntary social service sector, with a planning mechanism for achieving and funding full pay equity in that sector by 1995, which we understand is the present mandate of the Pay Equity Act.

With regard to other areas of chronic underfunding—post-secondary education, training and employment development, and health care—we urged the Treasurer to formulate and implement a strategy for restoring 1980 levels of service, and funding to maintain them, by the year 2000. We think that was a fairly modest proposal and we would like to speak to you again about that.

Second, we asked him to think about planning for the future. Even last February we thought there were some signs already apparent to suggest that the current recession would not always be with us. We were already witnessing social and economic projections produced by the government of Ontario indicating that we would be facing significant labour shortages in as little as five years, notwithstanding the free trade agreement, notwithstanding all sorts of other federal and provincial actions. In that situation, we encouraged the minister and his staff to begin to take a long view in its program planning.

We think that, in particular, the government needs to ensure that measures are put in place now, even in the midst of the recession, to ensure that women do not continue to bear an undue burden in times of economic slump. We think there are a number of measures, not all of them costly in terms of government expenditure, like employment equity, progressive and flexible family leave policies, pay equity and child care, which are central to the equal participation of women in the labour force and, in a situation of scarce labour such as we may be looking at as soon as 1995, could be the competitive edge that Ontario can offer employers.

In our view, available funds should be allocated to be more women-friendly and sensitive to the broader equality objectives of the government. In particular, we emphasized the need for the government and its respective partners to ensure that the structure of transfer programs continues to advance equality objectives, as noted above. I think there are particular kinds of things. I understand the new government is also looking at implementing a wide range of training programs, but these programs we support need also to take into account, for instance, employment equity objectives that the government talks about in some of its other departments.

Third—and I think this is the point that we probably agree primarily with the members of the government on—accommodating regressive federal fiscal and social measures. The recent federal Bill C-21 amendments in unemployment insurance to reduce benefits and the benefit period for most categories of claimant will not only discriminate against the most vulnerable of our population, a lot of those being women; it will also add pressure to strained municipal and provincial social assistance rolls just as those municipalities and provincial entities are

coming to grips with the worst casualties of the recession and accommodating the labour adjustments resulting from the implementation of the free trade agreement.

Similarly, the erosion of federal responsibility for transfers supporting health care, education and social services spending in the name of federal deficit reduction is small consolation to ordinary taxpayers or probably to provincial and municipal governments, which must deal more directly with the real needs for services. The ruling last week of the Supreme Court of Canada on the legality of federal Bill C-69 was particularly dismaying to us since it legitimates unilaterally the devolution of funding responsibility without any room for consultation or co-ordination to minimize the impacts of such devolution to the lower levels of government.

We think Ontario will need to make some serious decisions, not only in representing adequately the constitutional aspirations of its residents in Canada but also in coming up with short- and long-term revenue strategies to maintain the standards of health care, education, and social services Ontarians have come to expect and we think they should continue to have.

While we were dismayed that the government chose not to move significantly on any of its major tax reform proposals in the Agenda for People, we were encouraged by the Treasurer's appointment of a Fair Tax Commission. We think it is critical, particularly in the context of current constitutional discussions as well as a decade of successive and incremental funding freezes at the federal level, to review policies and strategies for revenue generation that will ensure equality for all Ontarians in the year 2000.

We think the proposed structure of representative working groups on the Fair Tax Commission on most of the major tax issues has the potential for public consensus building and we think it will be essential that those avenues are used if we are to meet the challenges of the next decade and into the next century.

The final point we want to speak to today relates to consultation. I think we, like a number of other community groups and popular groups, were in agreement with the new government in its objectives to involve all sectors of the community fully in public consultation on the future of Ontario. At the same time we think it is quite important for the new government to develop and implement a strategy for the support of voluntary-sector advocacy.

We indicated to the Treasurer and we have also indicated to a number of members of the new government our willingness to consult on a plan to make available resources for constituencies traditionally underrepresented in political life to facilitate the research and communication which would actually allow their participation in the democratic processes, for example, through funding for advocacy groups on the plan of the federal women's program for fairness in funding.

We take seriously the commitment of the government to consult broadly with all groups in Ontario. We thank you for hearing us today. I think we want particularly to encourage the committee, as it thinks about having public hearings at other times and places, how short notice and short preparation time have the effect of limiting most of

icipation in the democratic process of volunteer-driven organizations like our own.

Ms Edelson: I just want to speak briefly to two points mentioned in our brief. The first is when we are talking about measures which would allow for greater participation of women in the labour force. We underline, I think, in our presentation that these are not necessarily high-cost measures. I am thinking of things like more flexibility for employers for family responsibilities, be it child care problems, where there is a child sick, or where we are talking about elder care, which more and more is a concern for people, certainly of our generation and probably most of ours as well, in terms of the responsibilities we increasingly have with parents who become ill and so on.

It is our view that, certainly in the case of a recession, those services are not available for women, more and more women are kept outside the workforce. That is not only to anybody's advantage in terms of trying to build the economy. None of these things have to be very costly, I think the government can play a very strong role in terms of encouraging employers, for their own good, really, to provide these kind of flexibilities to the workforce.

A number of these things were discussed in some depth recently at a conference which I guess the women's—

Ms Maher: Work and family life.

Ms Edelson: The work and family life conference. It is sharing the caring work and family responsibility—

Ms Maher: Yes.

Ms Edelson: —which the women's directorate was involved in. So we would be quite interested in talking about one of those initiatives with you if you are interested.

The final point I wanted to stress as well is this issue of consultation. Certainly there are traditionally many groups in society who have not been involved in any kind of detailed consultation with government. In our own sector, dealing with women's issues, the advisory council dealing with women's issues is now beginning to conduct quite an extensive consultation, which we look forward to participating in. Part of the mandate they have been given is to fully examine over the next five or six months whether or not there should be such a council existing at this time, a kind of buffer that has existed over the last several years between groups like our own and a whole number of men's groups and government itself.

I do not think we have a fixed and fast position on this. It is something that really has to be looked at. There is no question as to whether there should be a group like this doing research or whether it should be replaced with something that is quite explicitly an advocacy group for women that is doing more than simply buffering but really speaking out and arguing on behalf of women's groups, whether it is for funding or for legislation and social policy reform. But again, that is an issue that I wanted to underline and we would be happy to discuss with you.

Mr B. Ward: I would like to thank you for your presentation and coming to Brantford. We have had some presentations from business people that talk about competitiveness and the cost of doing business in Ontario. They most always mention the cost of pay equity and employ-

ment equity as a concern to their operations. What answer would you have to business people or organizations when they discuss competitiveness and the fact that pay equity and employment equity may be adding an economic burden to their overall operation?

1600

Ms Edelson: First of all, we should make a distinction. I do not think employment equity has to cost an employer any more money if you are going to bring in people of colour and aboriginal people and disabled. Certainly there are some costs related to making a workplace accessible to a person who is in a wheelchair or providing equipment that allows a blind or deaf person to do the same job you or I might do, but I do not think those are excessive costs when you look at the whole range of costs facing employers. I think we should make a distinction between that, which is an issue of basic fairness in our society, one of equity right across the board for people, regardless of whether they have different abilities than we might.

Pay equity is that this is an issue whose time has come. You have certainly seen all the reports in the Toronto Star that a zookeeper was making the same or actually making more than a person who is raising our children in a child care centre. I think our society has finally taken the position that the work that has been traditionally undervalued, typically done by women, has to be valued more. If Ontario is leading the way to some extent and saying to employers, "You've got to pay up; you've got to make sure these people have the same ability to pay for the gas for their car and the rent for their home as anybody else," then I think that is quite valid and Ontario should be proud that it is pushing that.

Most forward-thinking employers know that if you pay people a good wage, and in particular, if you pay traditionally undervalued employees a good wage, you are going to get a lot back. I think we have to look at it in terms of improving our competitive advantage.

Ms Maher: Particularly with regard to pay equity, I think our information is already beginning to come out that the women who are being benefited by pay equity are the same women who a year or two ago were going to be family benefits recipients or welfare recipients and so on and so forth. What we are doing is implementing a strategy which will, in the long term, do us a great deal of good because it will give these women a bit of self-esteem, as well as a bit of money that will assist them to raise their children and keep them off the welfare rolls.

Ms M. Ward: Your brief presents us with your recommendations to the Treasurer, basically, and some of the issues you are raising with him—social assistance rates, and you are talking about housing and child care and pay equity, which you were just speaking of. I would like to ask you what your feeling is about the measures in the budget on some of these things, such as the social assistance, \$215 million towards that, the allocations for the prevention of violence against women and the shelters and so on, and the housing, the 10,000 additional units there. What do you feel? Is this at least a start in the right direction? You might feel that it is not enough, but do you think it is a good start?

Ms Maher: I guess our position is that probably most women and most men in our society would rather have a job than have social assistance. I think, though, that we have come to the point in Ontario, and I hope in the rest of Canada, that where jobs are not available we are not consigning people to the junk heap. We think the social assistance measures that were announced by the minister, Ms Akande, on 1 May were important first steps. They go nowhere near reaching the kinds of recommendations we have made yet, but I think we have to kind of recognize that in this current situation it is not the worst thing in the world. As I say, I think that some of the other measures, like moving on pay equity and moving in the direction of severance and so on, provide other kinds of support. In the long term that will have been demonstrated to be the most important step that could have been made at this time.

Ms Edelson: Just briefly about the measures with respect to violence against women and children, certainly the initiatives that have been taken are important and they are important first steps. I think I have an answer in a similar vein. I was recently part of a conference on violence against women put on by the Canadian Auto Workers union. Anne Swarbrick, Minister without Portfolio responsible for women's issues, spoke there and received quite a warm reception, as you might expect. But specifically, we were pleased to see the money that is there now for shelters that was not there before, and for education and for materials and so on. I think that is quite exciting.

If we are looking at statistics that show that, there are not that many of us in the room, but probably as many as one of the women who are in this room will be or has been affected by violence in some fashion. It suggests the extent of this problem and that we are really just beginning to take it seriously and deal with it. I hope we will see some further measures and funding and that it is more important over the next couple of years.

Mr Phillips: I really do appreciate your being here today. Did you fly out from Toronto or are you from here?

Ms Edelson: We came on Highway 403, from Toronto.

Mr Phillips: Oh, good—not that you are from Toronto, but it is a long distance.

Ms Maher: It had been our intention to have the member of our committee from Cambridge with us today, but she was not able to be.

Mr Phillips: I appreciate the advocacy work you are doing. As a Liberal, I know our government was moving on many of the issues, I thought, on pay equity and what not. The Agenda for People is a kind of blueprint I carry around because that was the basis on which the government got elected. I think some people are prepared to accept that the recession may have been even deeper than they thought when they issued this. They said, "Ontario is now in a recession."

My question to your organization is, what should be the timetable for them to implement the program they laid out for pay equity, which they said they would pass legislation on to cover all women for the child care, the social

assistance rates, the co-op housing and the various programs they outlined in here?

Ms Edelson: I guess I am prepared to give them until the end of this mandate. I would prefer, and would have preferred, for it all to be in that first budget, but I have been around political life long enough to know that it does not work that way. Also, we are in the deepest recession and period of economic restructuring, with quite serious permanent job loss of our manufacturing sector, but I do not think we can expect all of it all at once. If it is two years from now and there has not been a hell of a lot of improvement, there is going to be a different point of view coming from organizations like ours.

Mr Phillips: The present Premier called our Premier a liar when he did not implement one of the probably 60 election promises, so we as Liberals are always just mildly sensitive in that area. I have never called the Premier a liar but he called Mr Peterson a liar.

My other question relates to something you mentioned about whether advocacy groups should be part of government or independent of government. I did not quite understand that. I think you were alluding to something there. Maybe you can just elaborate a little on what you were driving at.

Ms Edelson: I was speaking about the advisory council on women's issues which now has a mandate to examine what its role has been historically and what it should be. The question comes up, is it appropriate now to have an organization like that which typically has done research—that has been their main role, which is useful; it has a role—or should it be replaced by the group that is quite clearly an advocacy group for women's issues and women's affairs? That would make one think about what the make-up of that group would be. Do you elect such a group from a constituency like ours, not just our organization but women who are active on these issues? Across the board, do you continue to have appointees, and what do you not want?

I guess what we were very clear on is that you do not want a duplication of services. If you have an Ontario women's directorate that does good research, you have it already so why are we funding another organization. Maybe that other organization should play a different role. If you look at what some of the shortcomings are currently—and I guess one of them would be the extent to which we are able to reach into the communities across Ontario, not just Toronto, and meet the needs of women who are at home who have specific needs, women who are disabled, women who are part of aboriginal reserves or whatever—are we really reaching those people? If not, then I think we have to look at how we go about doing that. If we are talking about democratizing structures, I would like to see us thinking about it in those terms and specifically with the notion of advocacy in mind. It is hard to be as specific as you would like me to be, perhaps, but they are really just starting their deliberations now.

The Chair: Thank you for coming before this committee with your presentation.

The committee adjourned at 1610.

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LEGISLATIVE ASSEMBLY OF ONTARIO

STANDING COMMITTEE ON FINANCE AND ECONOMIC AFFAIRS

Monday 26 August 1991

The committee met at 0914 in the Holiday Inn, Kingston.

1991-92 BUDGET

Resuming consideration of the 1991-92 provincial budget.

The Chair: I call this committee to order, being August 26 here in the beautiful city of Kingston. We have the new members with the committee. I would like to introduce them.

I would like to welcome John Cleary and Noble Bénéneuve, Mr Sterling, Mr Wilson from Kingston and Mr MacKinnon. Welcome to the committee.

JOHN YOUNG

The Chair: The first presenter is Mr John Young. You have 15 minutes for your total presentation. Try to save the time at the end for questions from the three parties.

Dr Young: How long should I allow for questions?

The Chair: If you run the whole 15 minutes, then no one has a chance to ask any questions of you.

Mr Villeneuve: That is a mixed blessing.

Dr Young: You have a written document from me, but I may condense that just slightly in the interests of time. I want to say simply that I am speaking as a private citizen and in that capacity I want to comment on the recent Ontario budget. I did an introductory course in economics when I was an undergraduate, but I am certainly not an economist and I am going to leave discussion of that kind of data to others.

I want simply to comment on the budget in terms of its effect upon people. First I need to say that I do not like deficits. I do not think any of us do. I do not think that Mr Laughren likes them. I believe that he too would prefer to present a budget that showed a surplus. I know—I think all of us know—that government debt eventually has to be paid. All of us eventually have to cover our liabilities.

That being said, I do think that there are times when a government needs to run a deficit. It does not run a deficit that puts the province in such a financial straitjacket that it can never repay its debt. But any government, including the present one, has to consider three things when it strikes a budget. First, what ought it to do, given the platform upon which it has been elected? Second, what kind of society do we as the citizens of Ontario want? Third, what can we afford as a province?

I want to say again that while I do not like deficits, I do think that this was just the time for a budget of the kind Mr Laughren presented. If we had the per capita debt of the federal government or of some other provinces in this country, Mr Laughren could not have brought down that kind of budget and we in this province would have had to

suffer more in the current recession or depression—you can choose which of those terms you like—than we have.

Because of this province's financial situation, Mr Laughren had the opportunity to shield us from some of the worst effects of the current economic situation in our country. He chose to do so. In making that choice, I believe Mr Laughren was faithful to his convictions and to the platform from upon which he and other members of Mr Rae's government ran.

I still remember hearing the details of Mr Laughren's budget late in the evening of budget day and two things struck me that day. The first was the size of the deficit—that struck us all. The second thing was that it was the most honest budget that I had heard in a long time. As I note here, I was grateful for his honesty that night, and I still am. I want to applaud him for it.

All of you on the committee are politicians and you know better than I that we live in a time when politicians are not much respected. Indeed, the public esteem for politicians is very low. I believe one reason for that lack of support is the feeling many of us have that politicians rarely level with us and tell us just how things are. They try to paint a rosy picture that puts them in the best possible light. They also seem to believe that we, the members of the general public, will be too dense to see what they are doing. What struck me about Mr Laughren's budget, as I read it and read about its details and listened to commentary about it during the several days that followed its presentation, was its candour.

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I recognize that a government's budget, like an individual's budget, is composed of the best estimates that you can make. In a government's budget, like in an individual's budget, events can conspire to reduce revenue or to increase expenditures in unexpected ways, but even as I try to be realistic in my estimating, I expect a government in its budget to do the same.

One of the things that much impressed me about Mr Laughren's budget was his honesty. His estimates about revenue, both in the current fiscal year and in future years, seemed to be realistic. His honesty and his realism contrasted sharply for me with the last several federal government budgets. While I disagreed with Mr Wilson's approach, I was less troubled by his taxation and spending policies than by what seems to me at least to be the basic dishonesty of much of that budget. It presented estimates for the future, guesstimates about inflation, about interest rates, that were simply unrealistic to a plain, ordinary citizen. When I looked at that budget and looked at the figures upon which he was making his estimates and listened not only to economists but also to persons of widely differing positions on the political spectrum, all of them were saying the figures would not wash, and Mr Wilson had to know

that. It makes you wonder why one would do that kind of budget. Does he think all of us do not understand?

I use that as an illustration not to rail against the current federal government but simply to make a point about Mr Laughren's budget. In my estimation at least, he has tried to be realistic in his estimates not only about this year's deficit but also about the deficit over the next few years. I would much rather have a provincial Treasurer who gives us those kinds of projections—projections that show a higher deficit than any of us, including Mr Laughren, would want—than a Treasurer or a Finance minister who will not deliver the straight goods.

I think that Mr Laughren and the other members of his government, all of you, will have a difficult time over the next few years. The Canadian economy is not in good shape. I hope it will improve—we all do—but that improvement almost certainly will not be great. This government has promised to work, will have to work, to bring the deficit level down as it has promised. Mr Laughren and his colleagues, by the way they have handled this budget, have restored some of my faith in politicians as persons you actually can trust to treat you as an intelligent human being and to tell you the truth.

I want to speak about this budget from another perspective as well. Up until now I have simply talked about my own reaction to its honesty, but along with comments about its realism, I might have added that it was also honest in trying to put into practice, so far as possible, the platform upon which this government was elected. That too is a sign of honesty. But at the end of the day, budgets are not just figures or numbers about which you and I and all the rest of us can argue and score political points. Budgets impact human beings very directly, because the figures on the page are translated into very human services that are or are not delivered to those of us who are residents of the province. Those figures are not remote or abstract. They have very real effects. They shape the kind of society we will have and the kind of Ontario in which you and I will live.

At least as I see it, Mr Laughren that day had two choices. He could continue to deliver roughly the same level of services that existed under the previous Liberal government, knowing that to do simply that in the current economic situation would greatly increase the deficit. After all, with unemployment greatly increased and welfare rolls greatly expanded, fewer people were working, paying taxes, and more people had need. One choice was to do exactly what he did, namely, to do what he could in a limited way to respond to the needs of people during this time of recession or depression. Just to maintain existing services in the area of medical care, education and social services would have required expenditures close to what this budget has projected; that is, just to maintain services at existing levels. For as I have said, the present economic situation has put far more people on the welfare rolls. There has been some new spending in this budget, but not very much.

Mr Laughren had one other choice. It has been taken by some other governments in this country. It would have been to balance the budget during this time of recession or depression, to balance it by cutting expenditures at the very time when the citizens of this province have the

greatest need for those services, at a time when more and more people have lost their jobs. He could have cut back on social services. He could have cut back on education funding and thereby forced municipalities to raise property taxes in order to simply maintain services. He could have told hospitals to do with much less and thereby forced hospital closures, maybe even hospital closures.

Budgets, at the end of the day, are more than numbers. We can say, and I think all of us do, "We'd like a balanced budget." We can say, "Forget the current economic situation, just balance it." But are we prepared for the cost of that, for the kind of society that measure would produce? Do we, for instance, want to see about a quarter of the hospitals shut down or a quarter of the beds? Do we want to see schools closed or classes with 40 to 50 students per teacher? When I was in high school I grew up in a different province and I had that situation, 45 kids in a class, and it is not a good educational model. Do we want to drastically lower the delivery of social services and welfare funding for those families who are genuinely needy? That is almost all of them who receive welfare.

I, at least, do not want to see those steps taken and I do not think most of us do. But also, at least, I see no way that Mr Laughren could have balanced his budget in the present economic circumstance without making those kinds of decisions. Those who advocate a balanced budget at this point in time will also have to tell us what kind of cuts they would make and where they would make them to bring that about.

I am just going to speak personally. You can read greater detail later about something that was very much shaping for me. In the late 1970s and early 1980s, I spent five years living in Dallas studying. It was a wonderful program, but those five years certainly changed me and how I looked at society. They made me think about the kind of society in which I wanted to live and the kind of society which I had grown up in Canada. That society is one like the one we have now.

There was something that used to happen in Dallas about once a year that, to a Canadian, is simply inconceivable. A poor couple—and they would usually, though not always, be Mexican-American because there would be the language component as well—would have a baby or a very young child become critically ill during the night. The family couple would go to the nearest hospital and it would be private, and the hospital, of course, without their having private health insurance, would not treat their baby. The state would be helpful in the sense of giving them directions to the nearest public hospital, because that would usually be across the city somewhere. The couple would try another close hospital and they would try four or five before they finally reached a public hospital, by which time their child would be too ill and the child's life could not be saved.

Inevitably, as these things would be written up in the paper, there would be a lot of outcry. It was always the case that if that nearest hospital could have treated the child, the child would have lived or at least would probably have lived. That situation, as I say, if you are a Canadian, is simply incredible. In the literal sense of that word it is unbelievable.

One reason why I am here today is that I do not want to see us move to becoming that kind of society—not wanting to suggest that any of you want that either. But if Mr. Laughren had balanced this budget, as some people have advocated, then we would be there. I think a balanced budget in the current economic time would have required a way of cutbacks, moving a ways down that road. Frankly, I do not want to see that. It is not the kind of Canada in which I grew up, in another province. It is not the kind of Ontario that I have had the pleasure to be part of for the last six years.

I want to thank you very much for your time and your attention.

Mr Cleary: I will be very brief. You told us a little bit about your background and where you have been. I want to know what you are doing now.

Dr Young: As of a month ago, I joined the faculty of Queen's Theological College. Prior to that I was in parish ministry.

Mr Sterling: I am somewhat concerned that I think you are misled to some degree, because no political party in the Ontario Legislature has advocated a balanced budget.

Dr Young: Certainly. Okay. I may be mistaken in that, but it has been my understanding that Mr Harris, the leader of the Progressive Conservative Party, has put forward a proposal recently in speeches saying that we need to have a balanced budget at least once every three years. Further, there have been many presentations which have been made in the public press which have been very critical of the level of the Ontario deficit, suggesting that it should have been, though not balanced, you are correct, very close to zero in a way that would talk about the kinds of cuts that I think would quite devastate social services.

Mr G. Wilson: This is my first time on this committee, and if all the presentations are at your level, it is going to be an impressive undertaking. I like especially your points about the honesty. You say here the Canadian economy is in great shape and hopefully it will improve, but you are sure that it will. I was wondering if you have some ideas about the best way of proceeding in this uncertain time.

Dr Young: I am not an economist and in that one I am uncertain. I think there are going to be some very difficult decisions ahead. With the kinds of budgets Mr Laughren is talking about, his projections of revenue, as I say, seem realistic. I think we have to try, as best we can with resources we have, to maintain the level of services we have.

KINGSTON INSURANCE BROKERS ASSOCIATION

The Chair: Mr Bickerton, from the Kingston Insurance Brokers Association, would you come forward, please. I have a total of one half-hour.

Mr Bickerton: I appreciate the opportunity to appear before you today. I am standing in for Mr John Vogelzang, who is the current president of the Kingston Insurance Brokers Association. Unfortunately he is ill and unable to attend, but I have been asked, as past-president, to do his presentation.

The circulations that are going around are a copy of the text which I will read to you, as well as a copy of the survey, which was commissioned by the Kingston Insurance Brokers Association, by Queen's University school of business specifically to address the insurance-related aspects of what my presentation will consist of. First I will address a couple of points towards the end of my submission. I got the call on Friday afternoon to do this and I was not exactly sure what you wanted to hear, but I made a few notes specifically about the budget.

Every business person with whom I have spoken since the budget was announced has come out absolutely, totally against such colossal deficits. I and the fellow business people with whom I have spoken, and a lot of regular, down-home folk in my small town, are just completely revolted by the kind of debt that we are going to be inheriting at the end of the current mandate. We just cannot in any circumstance conceive of such a colossal loading on our kids. We have heard it from the federal level and now we are getting it straight in the ear by the provincial level, and everybody to whom I have spoken is really fed up. That is point 10 in my submission. We really feel—I feel personally—very strongly that the government should be run like a business, where losses are simply unacceptable. I am, by my own admission, a little bit right of almost anybody you can imagine, but I really feel strongly about that.

I will address more specifically the auto-insurance-related situation, about which I have spoken with Mr Wilson on a couple of occasions, and we have another meeting shortly. This does not appear to have been given a great deal of credence in the budget preparations. The cost to the consumer of taking over this industry has been estimated to be at least in the hundreds of millions, if not billions of dollars, depending on how many court actions the government is faced with.

I will press ahead, though, and just go through this in logical order.

The Queen's University school of business survey sets forth a very high rejection level of public involvement in the auto insurance business. I guess you have to step back and ask why Premier Rae is attempting to take the business over. It was meant to be in the interests of the consumers of insurance. You will have to bear with me a moment. I think it is page 4, table 1. If you look at the number of people who expect lower prices, it is in the centre category of table 1; 28% of the population that we surveyed indicate they expect to see lower prices. The next box down, right immediately below that, says that the people who expect improved service constitute 15% of the polled people. Well, 28% and 15% do not look to me to be a public reaction that they are going to be better served by a government program.

I will not bore you with the rest of the details. I will leave you to look through that on your own, but there appears to be an overwhelming rejection of public ownership by the people we polled in Kingston. That was done, by the way, as you will see in the preface to the report, only of automobile drivers. We did not poll people on the street who might not have anything to do with automobile insurance.

Item 2 in my report talks about the job losses that you might have already read about. We have a potential of 8,000 net jobs lost in the province, 4,000 from insurance companies and 4,000 from brokers and agents. In Kingston alone, by a rather accurate headcount among the various offices, we have 100 female jobs, highly trained jobs, many single-parents earners, but highly trained people who have been in the industry an average of almost 10 years, which is a significant tenure, and those 100 jobs are going to be sacrificed. There is absolutely, unequivocally no question about that. I would dare say that if another industry in Kingston with 100 of the female population was being terminated, it would definitely get someone's attention.

Equity in business: We as brokers and agents develop over many years an equity value in our business, some of which heretofore had been placed on the automobile insurance component of our particular businesses. I have set out in item 3 some of the variations that have occurred since the September election. That has netted out to an erosion of the equity value of our brokerages to the tune of about 30%, depending on the size and mixture of business within that brokerage office. It is anywhere from 30% to 60%, in fact, but in the city of Kingston I have been reasonably conservative in estimating that value loss to be something between \$8 million and \$10 million. That is just as though the government expropriated and stole 35% or 40% of your RRSP fund, because we as brokers rely on that equity value eventually to sell and fund our pensions. I do not imagine there are a lot of people in this room who would appreciate having 30% or 40% of their RRSP fund stolen.

The local chambers of commerce have come out strongly on the side of leaving the thing in private hands. Mayors of local cities have definitely come out strongly opposed to public takeover. Of 21 mayors interviewed by brokers across the province, only 6% favour public ownership, while 88% prefer private ownership.

Consumers basically are largely content with the Ontario motorist protection plan, which has some foibles in it, there is no question, but it has been a learning curve over the last 12 months since it has been implemented. There are some changes that should be implemented in that program, but consumers are much more content—and I see them every day; some of them have had very serious claims—with the situation of the OMPP than they had been under the old tort system where litigation goes on ad nauseam and no one benefits, basically.

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The Ontario Insurance Commission now, I am sure many of you realize, controls all the pricing and the product wording of all the automobile insurers in the province. That is a government-run commission which must approve rate increases, decreases and any policy wording changes. Within the mandate of the current government it has total control over the automobile insurance industry now from the standpoint of wording and price. By wording, I mean whether it is fault or no-fault and what the individual endorsements and things on policies say. There is absolutely no question that the government currently, without spending one farthing and without costing one job, can change anything in that auto insurance commission. It can affect

the price, it can affect the coverage, and it does not cost any jobs and it does not cost any money. I would ask the your committee record the fact that there does not have to be a ballooning of what is already a nauseous amount budget deficit to accommodate this situation.

Item 7 is a bit of speculation on my part, but I have in fact heard it from one insurance company executive, and there are obviously two sides to the issue, but if the trade lobby by the US insurers does not work and is rejected at some hearing, some US insurers are contemplating lobbying their own political people to reject at the border the reciprocity that now exists between US insurers and Canadian insurers in recognizing each other's jurisdiction. When you cross the border now, you do not have to buy any insurance; your Ontario slip is perfectly valid in New York state or wherever. It may be idle speculation but if an awful lot of insurers get shot square in the ear and lose their value of business in Canada, there is a lot of speculation that the reciprocity may come to a quick end and you would be crossing the border as though going into Mexico, where you have to buy Mexican insurance. I do not know if that will ever come to pass, but it is certainly a threat that is there.

On the next page, Insight Canada research shows that 21% of Ontarians feel prices will be lower under a public system and 16% say service will improve. Those numbers are not terribly different from the Kingston numbers that I read out a few moments ago. Certainly neither one is an overwhelming recognition that government plans are going to be better. If Premier Rae is suggesting that a program will be for the benefit of consumers, I am not sure which consumers he means. If he is talking about 16% then that is certainly not a majority.

Again, last week I heard within the industry that there is already work going on to procure public office space for the new public corporation. I do not know if that is true, but I am sure those in the places of power must be aware of those things, but there is a lot of rumour going around that it is already under way.

Item 9 you may look at as a bit controversial, but in the early stages of the development of eastern Europe it was thought that a multidistribution outlet system was terribly inefficient, and I would submit that Premier Rae is looking at the automobile insurance industry as being inefficient because there are 100-and-some-odd carriers in Ontario all representing executive salaries that could quickly be eliminated and so on. That same thought process went through eastern Europe in thinking about bread, bakeries and what have you where there were so many on the street that it was inefficient: "Let's make one." I think in the past week we have seen the ultimate conclusion of that wisdom would ask that this be looked upon carefully.

I have not heard anyone speak positively about the budget deficit financing. The accumulation of debt is just total beyond belief. One year you may look at a \$9-billion or \$10-billion deficit as being something that, if we were going to war, may be necessary. But let's not do it for five running years. It is just beyond any concept of reasonableness.

Premier Rae, in a recent interview by Maclean's magazine, and it is also in your enclosures, stated in answer to

clean's question: "In making policy, do you ever have say no to the activist groups that helped elect you?" e's reply was: "That's a reality. We are elected to represent the broadest public interest. Even if there is something has been in your program for a long time, if you reach conclusion that it's not in the public interest to do it, then have a responsibility to say, 'I've changed my mind.' at is the sole test, not what was in your program 10 rs ago or what you said in a speech in 1985. You end up appointing some people who worked for you. And you re to say, 'I'm sorry.'"

I would submit, ladies and gentlemen, that this is a ation where the insurance industry is coming to you l saying, "We don't have any question telling you that 're an activist group and we're a lobbyist group and 're a self-interest group. All we're doing is saying leave alone. We don't want your money. We don't want you spend public money. We don't want to lose all these s. We want you to save money and save jobs and leave alone."

Surely that is better than having an activist group com-along and saying, "We're desperately out of money. need umpteen jillion dollars, and we're going to create jobs out of it." Surely Premier Rae's own quotation ould come to mind that says: "I'm sorry. I've changed mind. It might have been valid 10 years ago, but it isn't y more. We can't afford it. We have \$10 billion on our ck now, and we don't need any more."

Thank you for the opportunity to come and see you ay. I would like to entertain any questions that come up.

Mr Sterling: I will ask the first one. Thank you very ch for making your presentation. In my talk with my stituents in Carleton and eastern Ontario, their reaction he budget is the same as yours.

With regard to the auto insurance issue, my party does t disagree, of course, and you know that. We are on ord as such. We think it should be left in private hands. o not think government needs to go into anything more n it already is. Perhaps we are already into too many ngs that we cannot run properly. But this government s, for two elections at least, maybe three, made the auto urance issue a cornerstone of its election, perhaps in 87 more than in 1990. Given the political constraints t they have, what would you recommend to Premier e? When I heard Peter Kormos carry the can, so to eak, when OMPP came in—the Ontario motorists pro- tion plan—he stood for 24 hours and said that his party, w the governing party, would restore the right to sue. emier Rae has to find some kind of compromise, and in onstructive manner. What would you suggest he do?

Mr Bickerton: That is an excellent question, and I nk there are a couple of things he could do. Bringing ck—and this was Mr Kormos's lobby—the entitlement tort and the ability to sue is a very expensive procedure. is well-documented that it could cost up to 30% more emium if the insurers were to bring back the ability to e. You say, "Why didn't the rates go up 30% before?" ey did not go up 30% because nobody would allow it. The mpetition would not allow it and the political lobbying

would not allow it, but companies were bleeding to death because of the tort thing.

I believe the best situation would be some movement in the level of what is called the threshold, and I think maybe you are all familiar with this threshold that is a bit of a nebulous thing right now. There are not a lot of cases that we know of yet that are going to penetrate the thresh- old. It is possible that some movement in the threshold would accommodate a lot of the perceived inequities of the no-fault system.

It has been argued that the level of compensation on a weekly basis is inadequate. I would submit that the level of Ontario compensation is vastly greater than any other juris- diction in Canada, despite what a lot of people have said. There is no other jurisdiction, British Columbia, Manitoba and Saskatchewan included, where the benefits are any- thing like in Ontario. If you want to bump them up, bump them up, or index them. Do whatever you want, but leave it so there is some profit motive. Profit is not a four-letter word. Even the way I spell profit, it is not a four-letter word, and it should never be considered a four-letter word. If profit is bad, then run out and take over all the bakeries and take over all the steel mills and wipe out profit.

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Mr Kwinter: They are doing it.

Mr Bickerton: And see what comes down the pike. It ain't pretty. So mess around with the coverages, if you wish. Be seen to be fairer to people by indexing them or whatever, but having done that, be prepared to accept higher premiums, because there is no free lunch. Nothing comes for nothing.

Mr Jamison: It is an interesting document that you read today, Mr Bickerton.

I would like to have you expand, if you will, on point 11. Point 11 reads, "I feel that the government should run more like a business where losses are unacceptable and not tolerated." Knowing that the budget has been out since April 29, that the document has been well looked at by various organizations, including your own, I would like you to expand on that to give this committee an idea about where your thoughts are on the budget and how we could accomplish budget levels that are either balanced or greatly reduced at this point in time, understanding that this government, by standing still, would have incurred a tremendous deficit in the first place. I glean from your document that there would have had to have been many cuts, and I wonder where, in your mind, those cuts should have taken place.

Mr Bickerton: I am not a politician and I do not know the absolute details of the budget spendings, but if you are faced with the situation where the expenditures are grow- ing—let's just nail one, which is public welfare. I would have a very difficult time voting for anything but some reduction in the ability for people to get welfare. I know in our small town, there are an awful lot of welfare recipients who really are not entitled to it. They are welfare recipients because it is convenient, and frankly, that violates me.

I prefaced my comments earlier indicating that I was a little bit right wing, and I do not apologize for that. All I

am saying is that if you are faced with revenues less than your expenditures, you have to chop them off. And you may have to be seen to be unacceptably brutal about it, but the fact of life is that if it is not there, do not spend it.

I think that you have to realize, as politicians, that you are public trustees. You are not elected to throw money up against the wall. You are elected to spend my money and your money in a prudent manner. Now, if I, as a trustee of a public purse, or a trustee of your insurance premiums, which I am on a daily basis, overspend my trust money, do you know what happens to me? The government puts me out of business. In one stroke of a pen, I am out of business. I think that is great. I think that is a super idea. Just as we have seen the colossal debacles in the banks where they, as trustees of people's moneys, have gone into things that have gotten them in big trouble, I think those people should be hung out to dry. I think you, as politicians, have to appreciate that you are public trustees of our tax money, which includes your own, and to waste it in this manner is ridiculous.

Mr Kwinter: I want to make an observation and ask you just one question. In 1987, I think the one issue the NDP campaigned on was public car insurance. It was synonymous with the NDP campaign. Their popular support went up one point in the 1987 election.

During the hearings that Coulter Osborne had and all of the things that went on with public car insurance, the NDP kept putting forward its plan. When Peter Kormos filibustered, he had a plan. It would seem to me that if they really had a plan and if I were leading the NDP, the first day back in the Legislature of this new government I would have put it on the table and said, "Here's our auto plan." They obviously have not done that, and they have delayed it and delayed it, and now they are saying maybe in October.

So obviously now that they have had a chance to come to grips with reality—and I am not saying that in a negative way, but that happens to a lot of people when they are not in government; they suddenly come in and see what the numbers are—they are having some problems.

As someone who is in the business, what savings do you see effected by the government taking over the business?

Mr Bickerton: I have not been able to hear anyone tell me, with repeated, pointed questions, where the savings will be. If you look at the expenditures that insurance companies make for non-claim-related things—and I do not have the numbers with me, unfortunately, but I am pulling on memory here—I think it is less than 20% of the premium dollar that goes towards administration. That includes sales commissions, that includes head office administration. It does not include claims and claim-related costs. Claim-related costs account for over 80% of every claim dollar. So if you take the 80% and the 20%, it would come out somewhere around 100%, plus or minus a few loss years.

If you take the sales commissions out, which are between 10% and 12%, 11% and change, on average on auto insurance, you are left with about 9% or 10%, give or take a bit of room for slippage, to administer the insurance companies' moneys.

If a government program could save 10% of that, I would say it has done very well. Chop out all the big

executive perks, chop out a few extra office rents, but brutal about it, which governments tend not to be, and think I just commented on that earlier. If they could save 10% of the 10%, they are saving one percentage point of your premium and mine. But if you pay \$800 a year premium and you are saving \$8 or \$10, or say \$20, I do not think that would make me in favour of public ownership. I have never, ever seen a government take something over and do something more efficiently and less expensively than private enterprise.

One of the things that would occur immediately is that all of the staff would be unionized, and all of the staff would be centralized in one location, probably Toronto or somewhere like Toronto, where you would be paying a lot higher-based salaries than we are out in the various diverse areas we are located in now, together with the fact that you would have this complicated and expensive union structure to go through. We do not underpay our staff now. We are very competitive, but we are not paying Toronto salaries in Kingston and Gananoque, I can assure you of that nor should we be. If we were paying those salaries in metropolitan areas, we would be paying a pile more than we are now, and I do not think in anybody's wisdom that the government could go into this program expecting to save 10% of the 10% administration cost. But given that they could, they would save 1% of premiums.

I would say that is a total waste of time. Unless someone else can come up with a better idea on the specifics of where they are going to save money, then I do not believe they will.

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VINCE MALONEY

The Chair: The next presenter is Mr Vince Maloney. Welcome. You have 15 minutes for your presentation as an individual. You may proceed.

Mr Maloney: Thank you. Maybe I can qualify this: I am representing nobody but myself. I am a retired industrial worker and over the years have been involved a bit in politics, municipally and provincially, but I welcome this opportunity to speak on the first budget of the NDP government.

I am here specifically to address the members on the government side, because what time I have I wish to devote to people I trust, who will listen and who will decide if my suggestions merit consultation and action. If I were Conrad Black or any of the thousands of corporate welfare bums who pay no tax, but under this budget will pay something for the first time, I would do the same as they did, namely, contact my Tory or Liberal servant in the Legislature and tell him or her to kill the budget.

During my working career I had occasion to participate in many protests in Queen's Park and on Parliament Hill. These demonstrations were also economic in nature, against high interest rates, in support of prices for farmers, help for the poor when they marched to Queen's Park, plus many others when the real Tories or the ones who wore ties were in power.

We all know how fruitless these journeys were, so finally the people of Ontario spoke on September 6, 1990. They had been completely ignored except on the way into

voting booth. I wish to state proudly that I am one of many thousands who have donated, through my membership, 92% of the operating budget for the NDP in the 1980s, 92% of the federal party, and I believe roughly the same for the provincial party. I have heard accusations of opposition parties of dominance of the NDP by the labour movement, but the election expenses authority has announced that for 1990, the unions' contribution to the NDP was 7.5%, a total of \$111,862.10.

You have lived up to my expectations, and this is the first of many budgets to come, I am sure. The Tory party would have heaped the cost on the backs of those least able to afford it; witness the Tories in Ottawa. Single parents, or farmers, almost broken by free trade and the GST, municipalities trying to cope with exploding welfare rolls imposed by Michael Wilson and Brian Mulroney, all of these realized the need for an expansionary budget to stimulate the economy.

Mr James Frank, chief economist and vice-president of the Conference Board of Canada, praised the budget as a confidence builder that will help Canada emerge from the recession. Mr Frank argues that only \$640 million of the \$7 billion is new programs. Most of the balance results from normal increases in education, health and the recession's effects on revenue and welfare spending. He says, "Had measures been taken to hold the line on operating expenditures, which rose by \$5.2 billion, or on capital expenditures, which increased by \$1 billion, not to mention the \$3-billion deficit you received as a gift from the previous government, we would have had a much deeper prolonged recession." John Kenneth Galbraith likewise praised the NDP budget as being the best in North America. By the way, he was the architect of the New Deal in the United States under Franklin D. Roosevelt in the Great Depression.

As a retired union member, as a farmer for the first 42 years of my life now enjoying monthly pensions first obtained for Canadians by the Co-operative Commonwealth Federation in 1926 and by the CCF-NDP since then, I congratulate you on this, your first budget. Pay no heed to the wailing of the fat cats. All you have done is to step on their tails, and the wail is a natural reaction. For the first time, a measure of fairness was introduced. It is unfortunate that it is being delayed by conservative elements who wish to maintain their special status. However, a conservative is a conservative; whether wearing a Mao tie in Tiananmen Square or the Kremlin, they oppose progressive thinking and action.

Stay the course and be able to demonstrate by your governing that Ontario under the NDP cares for all the people and that taxes will be based on the ability to pay. Your task will be much easier when we elect a federal NDP government in two or three years, but in the meantime keep up the good work.

Mr B. Ward: I think these hearings offer an opportunity for individuals or organizations to express their opinions on whether they feel we are heading in the right direction. For this area, what impact do you feel the budget has had, if any?

Mr Maloney: I was nine years in local government and, as everybody knows or should know, the welfare spending is split three ways and 20% is put up by the local municipality. It cannot be refused, even if people wanted to refuse it.

I feel that when we consider municipalities and boards of education, library boards and hospital boards, had this budget not been brought in, it would have resulted either in many drastic cuts in programs or in vastly increased taxes.

Mr B. Ward: Property taxes.

Mr Maloney: Yes, and property taxes. I think the province has a better rating to borrow money than a municipality or hospital board. It probably gets it a little bit cheaper than they could. It went out on a limb for it and I think it is about time people started giving it credit for what it did.

Mr Villeneuve: I wonder, would there be any political aspirations, or do you belong to a political party?

Mr Maloney: I have run for the NDP three times. I have been a card-carrying member of the NDP since it was formed and I was a CCF voter before that.

Mr Villeneuve: You mentioned that for 40-some years you were in agriculture, a farmer, and you are a retired industrial worker. Are you aware of the increase to agriculture in the last provincial budget?

Mr Maloney: I believe it is somewhere around \$100 million, from all aspects. There is assistance from high interest rates and some others that I have read about.

Mr Villeneuve: Would you know what that is and was as a percentage of the previous budget?

Mr Maloney: No, I would not.

Mr Villeneuve: Would you be disappointed if I told you it was 3.5%, less than inflation? And yet you are happy with that?

Mr Maloney: I look at it as probably \$100 million more than the last government or the last three governments gave.

Mr Villeneuve: You see, it is not quite \$100 million. A question to Mr Laughren in the Legislature, which he was not able to answer for me the day I asked it—he answered it the following day—was that almost half of that \$100-million increase—and it is not quite \$100 million—\$50 million of that was federal money that is being administered by the province for agriculture. The only new program, and it is an old, recycled program of the Liberals, is \$50 million in interest support. The total increase for agriculture year over year was 3.5% and it is less than inflation, so I am kind of pleased to hear that you are happy with that. I am not.

Mr Maloney: I think probably you are not including the increase in the farmer's property tax that would have taken place had this budget not been brought in with the grant system to the hospitals and all these others.

Mr Villeneuve: It is all-inclusive. Those are all figured in—3.5%.

Mr Cleary: Just to follow up on what my colleague said, the agriculture people did not get a big increase this

year in the budget. Now that you have retired, are you going to be a candidate again in the municipal election this fall?

Mr Maloney: No, I do not expect to. I am 71 years old and it is about time I folded up my tent.

The Chair: Thank you for your presentation. The committee will recess for five minutes, until 10:15.

The committee recessed at 1010.

1015

JOHN SPRAGGE

The Chair: The next presenter is Mr Spragge. You have 15 minutes for your presentation.

Mr Spragge: I will start by reading what I have here and possibly go on with a couple of remarks and then leave you lots of time for questions. No budget, least of all a government budget, is ever simply a matter of numbers. A budget is a statement of values and priorities, a list of the things we want and the things we are willing to give up. Budgets are descriptions of the future we want for ourselves, not only the future we want to build for ourselves, but the people we want to be.

A government budget must be something more than this. The virtues of a good government budget are prudence, justice and fortitude. The justice of this budget is evident, as is the fortitude of this government in sticking to it against the slings and arrows of outraged opposition. Whether or not a budget is prudent depends on whether it encourages the economic development that will sustain the community. The most common charge against this budget is that it fails to do that. Indeed it has been said that the budget will drive business out of the province and that by attempting to justly distribute the wealth of this province the government is reducing the wealth we have to distribute.

The first and easiest answer to this charge is that it is absurd. The businessmen who say they are going to take their toys and go home if we do not play by their rules may be able to pack up and leave the province themselves, but they can scarcely hope to move Ontario's natural resources or educated workforce. Beneath this surface absurdity there is a deeper area: the assumption that productive capital which business leaders can move around is the essential source of economic development. To understand why this is no longer so, a short sketch of the history of capital and business may be in order.

If there was a golden age of capital, the Middle Ages must surely have been it. The principal form of productive capital was land, and land was revered. A block of land was described in the same words we use to refer to virtue, as an honour or benefice. Those who were entrusted with land on behalf of the community were referred to as the nobility. On the productivity of this land the entire community depended and the result of crop failure could be catastrophic: mass starvation, political collapse and epidemic disease.

Yet this capital was so important to the community that those who held it and worked on it were accorded little freedom. The lord of a manor could no more turn the land into a housing estate than the villeins who worked it could leave. Lord and serf alike were woven into a complex web of obligations to the land and the larger community.

The golden age of the capitalist was the age of industry. Blake's "dark, satanic mills" on which the power and wealth of Europe depended. The mill owner was not caught up in obligations to his workers. Indeed, the new owning class did not need to involve itself in the production process at all. They could profit from the operation of machines they owned without ever having to know what those machines were.

But as the productive machinery of society grew more complex, the knowledge required to operate the machines and efficiently distribute the goods grew steadily more important. The new value of information was emphasized by the need to end the waste of raw material and pollution which is the result of inefficient production. These needs stimulated the development of complex tools to capture the process and use information efficiently. We have seen the beginning of the information age and we need to understand the meaning of this change.

Information is not only a vital part of the production process, it is also the most important measure of the finished product. As Paul Hawken, a business writer in the United States has written: "When a product reaches us, we do not call the information in it, in the production process and in the product itself 'information.' We simply call it 'quality.'" In all ways, from reducing the cost of raw materials put in or increasing the value of the finished good it is information that determines the ability of a company to compete effectively.

In economic terms, the coming of the information age means that the most realistic measure of wealth is not possessions, but knowledge. Today the most advanced production equipment is less important than the information required to operate it properly. Sometimes this information comes in the form of what we call software, electronic impulses recorded in magnetic oxide on a mylar disc. In other cases the information is contained in an organization, its policies, in procedures and even in individual people's habits.

Whatever form it takes, this information has a number of characteristics which separate it from the old measures of wealth. First and most important, information is far less permanent than the old measures of wealth. Agricultural land will last for ever if it is properly farmed. Heavy industrial machinery will last for decades. Information fits the description given by Peter Brook to the theatre, that it is "written on the wind."

Computer programs are typically replaced by a new version after two years or less of use. Policies and procedures are under constant review. Even the machines that process the information become obsolete very quickly. The personal computer has gone through three major phases of evolution since it was introduced only 10 years ago. The only measure of wealth in the information age that remains constant over time is the ability to learn and to adapt.

But since information is not static, it cannot be simply acquired like a capital good. Information can only be included in the production process by an educated workforce. Thus, the only reliable measure of the wealth of a nation or province is the educational level of its people. Consider the relative illiteracy rates of the United States

Japan. That one difference explains much of the trade deficit that has plagued the United States for the past decade. This means the most important investment in economic productivity that any government can make is to improve quality of the educational system. The new emphasis is more efficient production in industry as part of the movement towards a less wasteful society. This means the market for the raw materials our society has been in the business of providing is likely to go on shrinking. To take one example, the move in American cities towards cycling has already sharply reduced the demand for Canadian newsprint. We can only adapt to this drop in the demand for our natural resources by strengthening our information infrastructure, and the first and most important step in this process is to improve the quality of education in our public schools.

The harsh reality is that in the future people who are not educated are likely to be shut out of society almost completely. The word "McJobs" is often used for low-paying, unskilled jobs in the service industries, but those industries, including the fast food industry, are now experimenting seriously with automation. If the children entering school now are not given a good and effective education, they may face a lifetime without meaningful work at the end of their schooling.

Our children will not be educated by a budget, which is only a list of numbers on paper. But as a statement of fiscal priorities, this budget at least reflects an understanding of the economy of the future. The monetary deficit we cannot pay off. If we put off providing the education and other services our children need, we will produce a society that is unable to compete in the international marketplace. No society can never pay its debts.

Mr Kwinter: Thank you very much for your presentation. I found a couple of contradictions. When you first started out you talked about the fact that businesses can spend their money and move but they cannot move the natural resources which give us our strength. Then later on you talked about the fact that the use of our natural resources is declining and that what we really have to do is invest in people and in our education. I do not think there is any question that education is absolutely critical, but when we talk about comparative advantage, education is important but it is not exclusive. In other words, anybody can educate anybody if he puts the resources into educating him. I can tell you the stories of PhDs driving taxicabs in Toronto because they cannot get any work. They have the education, but unless there is some facility to take that education and harness it and turn it to some economic use, it is really no value. There has to be that balance, I agree with you.

One of the things we have to do is get our people better trained and better educated. But just to do that, without giving the ability to utilize that education, without having that technology transferred, is an exercise in futility, because as I say, you are going to wind up with a lot of cab drivers who have PhDs and MAs and all sorts of other academic degrees but cannot utilize them because there is no economic use for their knowledge. How do you address that?

Mr Spragge: Obviously the issue is not simply a matter of providing education in a vacuum. You have to be sure that the education you provide is more or less appropriate and you have to do some guessing as to what the economy of the future is going to need. But there are two points here. One is that the economic issue that is paramount in education is not about PhDs driving taxicabs. That has been made very clear by writers on economics. The problem is that approximately 25% of our population is illiterate. If that does not make everybody in this room hang their heads in shame, it certainly makes me ashamed, that a province this rich has an illiteracy rate that appalling. We cannot take much comfort from the fact that the Americans are in even worse shape.

James Follows from the Atlantic Monthly has written extensively on the economic lessons we can derive from Japan. The Japanese do not have PhDs who are better educated than our PhDs. They do not have business leaders who are more brilliant. What they have is that the so-called bottom half of their society, the ordinary people on the assembly line, are all better educated than the people we educate now in our public schools and the result is that they are slaughtering us on the economic playing field.

Basically what James Follows wrote—he was writing of the United States and I am afraid that to a great extent this goes for Canadian society too—is that the Americans have the best top half in the world and the Japanese have the best bottom half in the world, in the sense that the Japanese have the best people coming out of high school. The Americans claim to have the best people coming out of university, and I think we come very close to matching that. The Japanese high school grads are knocking the stuffing out of our university grads, because including information on products and production processes is not a matter of having the PhD in the office who hands down directives being the best there is; it is a matter of having the assembly line worker having the best education possible that we can give him.

Mr Sterling: What is your occupation?

Mr Spragge: I am a computer programmer.

Mr Sterling: Do you work in private industry?

Mr Spragge: Yes.

Mr Sterling: You are not with the university here, are you?

Mr Spragge: No. I have acted as consultant to it fairly extensively, but I run my own business.

Mr Sterling: I do not disagree with some of the directions you are taking, but one of the concerns I have, particularly with the extended deficit financing that is proposed in the Ontario budget this year, is the ability of future Ontario governments to pay for proper education facilities and institutions. I think it now takes about 12% or 13% of our budget to service the debt and I estimate that after Mr Laughren is finished, if we go according to his statistics or his projected deficits, then in about four years it is going to take something like 20% of the budget to service the debt. While you may say we can pay it off, nobody seems to have done that for the last 20 years. You do not express any concern over that part of it. I am more concerned

about providing the necessary services—education, etc—to the public in four or five or 10 years than I am today.

Mr Spragge: I am not a great fan of deficits either. Basically, because I had 15 minutes, I addressed the thrust of the budget, which goes towards providing services, particularly education, to ordinary people, because I think that is very important. If I had another hour, I would say that reducing the deficit is important. It has to be done basically in a way that tends towards developing a more egalitarian society, because that is what the information age also demands. The social and political effect of the information age, I think, is going to distribute power and wealth rather than allow it to concentrate as it has in the past, and the result is that government has to go along with this. If we are going to be dependent on an enormous body of information in millions of people for what is going to be the working capital of the future of this society—it is going to be what we depend on—instead of a certain amount of concentrated wealth, we have to adjust the tax structure to deal with that. Otherwise we are just not going to be a productive society.

Mr G. Wilson: You emphasize spending money now for educating our children. What about training? Do you see that as being a constant feature as well in the new economy you are outlining?

Mr Spragge: Training is very important, but if we fail to educate, we will not have much to build training on. Education basically means, as I understand it, giving people the tools to grasp concepts they have not encountered before. That is going to be a feature, more and more, of the process of technological change in the future. They are both important, but if we do not educate, we will find ourselves crippled when it comes time to train.

1030

ONTARIO FEDERATION OF ANGLERS AND HUNTERS

The Chair: The next group is the Ontario Federation of Anglers and Hunters. You have one half-hour for your presentation.

Mr Morgan: Thank you and good morning. My name is Rick Morgan and my title is executive vice-president of the Ontario Federation of Anglers and Hunters. I particularly want to thank you for the opportunity to appear before you and let you know the feelings of Ontario's largest provincial conservation association.

As you review the information that we provide, please bear in mind that we are expressing the collective views of 74,000 individual members and 470 clubs which actually pay fees to belong to our coalition. I think, in a broader sense, we are probably expressing the views of the roughly three million people who hunt and fish in this province, as well as many others who do neither but who care deeply about the natural world around us.

OFAH is not here today to talk to you about the total Ontario budget, the total tax burden on individual citizens or businesses or the record-high annual deficit. Others are far more qualified to address those matters. Rather, we are here to tell you about what we do know—the way fish and

wildlife management is being underfunded in this province and the way anglers and hunters are being shortchanged.

The disbursement budget for the fisheries program of the Ministry of Natural Resources is a maximum of \$55 million, and likely less than that after in-year budget cuts are made. These dollars must cover all MNR fisheries fronts; ie sport, commercial, native, conservation, etc.

However, in direct revenue alone, and I emphasize direct, the Ontario government receives over \$105 million in cash payments from just anglers. This \$105 million comes directly from fishing licences and the sales taxes on purchases that we have made directly for sport fishing. The \$105-million figure does not include all of the indirect revenues that the province receives from sport fishing, nor does it include a revenue from the commercial fishing industry. However, even without those major other revenues, the government is making a net profit of over \$45 million on sport fishing alone. OFAH contends that such a profit is obscene and unfair and that the province's fisheries budget should be at least as large as its direct revenue, particularly considering all the indirect revenues and benefits which also accrue.

While the underfunding of fisheries management is new in Ontario, it does appear more acute today, in the 1990s, when more benefits are needed, not fewer. A few examples come to mind, but please remember that these are examples only, and certainly far from a complete list.

Fish hatcheries: This year, 1991, sees the closure of three provincial fish hatcheries, including the province's only muskellunge-rearing facility. These facilities should be upgraded and/or replaced, not closed. In fact, Ontario's hatchery program needs expansion, not reduction. More localized hatcheries are required so that specific strains of fish can be used for better results.

Please bear in mind that when the government surveyed anglers about a proposed resident angling licence, anglers agreed, provided that there would be more fish stocking and more enforcement. They were very clear about that. But now they are getting less of both and they have to buy the licence to get less of what they asked for.

Enforcement: In this fiscal year, fish and wildlife law enforcement is being reduced by at least 10% from a level that was already inadequate, at a time when citizens are demanding more enforcement. Despite the high calibre of Ontario's conservation officers, poachers virtually have a free reign. There are nowhere near enough officers, and they have such severe budget limitations placed on them that it is a wonder they can catch or deter the few poachers that they do. Please bear in mind that in 1989 the Provincial Auditor actually recognized shortcomings in MNR level of enforcement, and in 1991 it will be even worse.

Coho salmon: All of the province's coho salmon program is to be stopped and replaced with nothing—not another coho strain; not more chinook salmon, which is actually more cost-effective; nothing. Combined with the elimination of muskie stocking, Ontario is sending a clear message to Americans to stay home and to Ontarians to travel out of province to fish for the fish they enjoy.

Experimental management: The developing and testing of new, more contemporary management techniques is stopped. Lack of proper funding will therefore ensure that

ario has locked into the status quo while other jurisdictions advance. Ontario can look on from even further behind while others prosper from the results of their experimental management.

Remedial action plans: In keeping with its election promises to do more about the environment, the current government is shifting an additional \$1.5 million into Great Lakes remedial action plans, but that money is being taken directly out of the fisheries budget. It is, in appearance, a shell game shifting funds from one environmental program to another, and it was particularly devastating when the fisheries program was already underfunded.

Casual staff: Arbitrary reductions are being made in the full-time or contract staff which fish and wildlife managers may need. But in such labour-intensive fields as these, such a reduction can have very serious consequences. Some programs will not be delivered, others will suffer. Conservation officers and other higher priced full-time staff will need to pick up some of the slack, at both a higher financial cost and at the expense of their normal important duties.

Native issues: Likely because the Minister of Natural Resources is also the minister responsible for native affairs, a major amount of MNR staff time at all levels is being devoted to matters more appropriately funded by the Ontario Native Affairs Secretariat. Both time and financial resources are being taken away from fish and wildlife matters. Major financial and manpower allocation should be devoted to MNR fish and wildlife programs to offset these drains on their resources.

The minister's own advisory council has on several occasions requested that a needs list be developed at the local, regional and provincial levels. So far, presumably because of insufficient staff time, such a list has not been prepared. Therefore neither the minister and his staff nor the public can benefit from this exercise and the work done. Cost-benefit analysis and budgets that might flow from it. Some anglers believe that is intentional.

Ontario's wildlife and the habitats on which it depends are impressive natural assets worthy of protecting and enhancing. Their dramatic returns to the economy make their wise use and management excellent applications of the concept of sustainable development.

A recent federal-provincial survey entitled *Importance of Wildlife to Canadians* clearly shows the intelligence and importance of investment spending on wildlife. It proved that for every dollar spent on wildlife conservation programs, more than \$4.50 is returned to the provincial and federal treasuries in tax returns alone, never mind the other spinoff benefits. The annual gross domestic product related to wildlife in Ontario is approximately \$2.2 billion. Per capita, the average annual and daily values of hunting trips are more than twice those of non-hunting wildlife related trips.

Despite these facts, it is worth noting that, considering inflation, the Ontario wildlife budget has actually declined in recent years. It is more than incongruous that although more people enjoy wildlife than enjoy provincial parks, Ontario's parks budget is well over double that for wildlife. Things are backwards. Wildlife is very much an important part of the environmental priority agenda for Canadians. It must be reflected in substantially increased wildlife

budgets. Just as with fisheries, there are a multitude of wildlife programs which are underfunded and do not even exist due to lack of funds.

Enforcement: Of course the 1991 10% cut in enforcement also affects wildlife. In some areas of this province poaching is at market levels. The Ontario Federation of Anglers and Hunters has asked MNR to put in place a report-a-poacher hotline, perhaps a 1-800-POACHER number, but we are told MNR cannot afford it due to the size of its budget. We have requested an \$800,000 grant to help us establish a province-wide reward system, but nothing has been forthcoming.

1040

MNR's wildlife population assessment programs are abysmal and therefore the best management and benefits are not available to the people and the government of Ontario. Using moose as an example, even as important as that wildlife population is to the province and as important as moose hunting is to the economies and lifestyles of central and northern Ontario, MNR cannot make regular annual aerial surveys of the moose populations. Therefore, to a large degree, it must practise retroactive management rather than proactive management.

Although the wild turkey reintroduction program, designed to bring a native species back to Ontario, has been successful on a localized basis, it has been slow going due to lack of funds. Our federation has had to supply the bulk of the funding for the program, approximately \$300,000. Now, presumably in frustration with their lack of a budget, some MNR wildlife staff are encouraging a United States organization to move into Canada so they can also try to get some funds from it.

Sensitive northern wetlands have not been evaluated and many southern wetlands are in need of reevaluation and protection. MNR has been unable to move to more integrated resource management. That is a system, like habitat supply analysis, which would permit establishing wildlife and recreational targets for crown lands while at the same time establishing predictable long-term wood product harvest levels.

As with fisheries, these are but a few examples. Many more exist. The bottom line is that an inadequate number of employees are trying to do an important job with insufficient funds.

The result of all this is that neither the government nor the people of Ontario receive the optimum benefit from Ontario's fisheries or wildlife. People do not fish as often as they would if fish stocks were more plentiful. Tourism seasons are shortened when fishing and hunting seasons are shortened due to insufficient management. Hunting camps and lodges suffer. Employees are laid off. Local, regional and national equipment suppliers suffer. Camps and resorts have vacancies when they would not if fishing or hunting were better. Poachers operate with relative impunity. Ontario residents continue to go elsewhere to fish and to hunt. Our employment levels and our quality of life suffer needlessly.

Fish and wildlife budgets not only preserve our quality of life, they are investments in industry and in tourism, with a far more secure return than promotional dollars or

make-work or welfare programs. Spending on fish and wildlife programs is the guarantee of sustainable development, an assurance of a healthy, prosperous future for millions of Ontarians. The fish and wildlife budgets of MNR must be increased. We ask that this important committee give such advice to the Legislature, the Management Board of Cabinet, the Treasurer, the Premier and the Minister of Natural Resources.

It seems ironic that during the very time when all three political parties have professed to care more about the environment, MNR's share of the provincial budget has declined substantially. From the 1986-87 to the 1991-92 fiscal year, the total provincial budget has grown by almost 60%. During the same time, the Ministry of Natural Resources budget has only increased by 18%, less than the cost of inflation, and it has had to take on new tasks and new costs related to the government's native agenda. We are counting on this committee to help correct the situation and to ensure that fish and wildlife budgets receive the priority they deserve.

I would, in closing, draw your attention to the first appendix, which is a bar graph showing you what has happened with the MNR budget versus the total provincial budget over the last period of time, from the 1986-87 to the 1991-92 fiscal year. I think it is a graphic illustration of how things have shifted in this province and perhaps of why you need to pay some attention to this particular portion of the provincial budget.

Mr Villeneuve: Thank you very much for a very good presentation and for being with us to express the concerns of the Ontario Federation of Anglers and Hunters. You state that Ontario residents continue to go elsewhere to fish and hunt. Would you have statistics on that? We are all concerned about cross-border shopping and a number of things. Are we actually sending our hunters and our fishermen elsewhere than Ontario to do their sports hunting and fishing?

Mr Morgan: There is no question of that. As a matter of fact, as we sit here in Kingston and we see some of the province's best fishing, we still see people from other parts of Ontario and even this community crossing the border to fish for other strains of fish. The coho was one that I cited. Of course, people are going to the United States and elsewhere for other strains of fish as well. We have great natural resources and wide-open spaces in this province, but we do not capitalize on them by managing them properly.

Mr Villeneuve: These statistics you show financial-wise are not dissimilar to those of agriculture, where we have had a \$19-million increase in the budget last year, or 3.5%. You now show slightly more than \$100 million in moneys received by the government pertaining to sales of licences and sales tax on sports equipment, yet less than \$60 million spent in restocking. That does not address the problem of security; our game wardens not being sufficient in number to enforce the laws and poaching running rampant.

Could you comment, first of all, on the reduction in stocking? I think that is of utmost importance, because we do not stock now. We may not feel it this year or next year, but it certainly will be felt in the not-too-distant future. If

you could just comment on maybe what kind of money would be needed to address that problem.

Mr Morgan: In the paper we cite the example of coho and muskie, because they are very obvious, very dramatic. They have happened recently. We are getting completely out of the stocking of those species. There are, of course, people who come from all over North American and believe, Europe, who wish to fish in particular for muskie in this great province of ours. What is not so obvious is that our stocking program on the other species in this province is askew.

What we really need to do, instead of having large hatcheries at great expense in various areas of the province, is to have smaller, localized hatcheries using a species like lake trout, for example. There are many strains of lake trout in this province, but we tend to look at them as lake trout, so we have some large hatcheries at Harwood and elsewhere dealing with those species. But what we need to be doing is looking at areas like the big sound at Parry Sound, where there is a unique strain of fish that is in great jeopardy. We need to be taking the stocks, the eggs, those lake trout, raising them in a relatively small and inexpensive facility on the shores of that water body and then stocking the fingerlings back into that water body to preserve the integrity of that species. That particular strain is on the verge of disappearing from this province. It is a very special large strain of fish.

That is one example. It happens all over the province. We need to have small, localized hatcheries putting local strains of fish back into local bodies of water. The other thing that happens then is that people in various communities see the government in action right there putting something back into their local fishery and their local economy. They do not have to look elsewhere for something to be happening.

Mr Villeneuve: One final question: What is happening to the hatcheries that have traditionally been operated by the Ministry of Natural Resources? Are they going to be let idle? Will they be leased to someone? What, in your opinion, will happen to those?

Mr Morgan: Three of them are scheduled to be closed this year, including, as I have already said, the only muskie hatchery. Municipalities have been chasing the provincial government, the Minister of Natural Resources, on that one. God bless it, Sir Sandford Fleming College in Peterborough has gotten involved in that one and is doing everything it can to try to get a muskie-rearing program going again, but as we sit here today, that facility, instead of being upgraded, renovated or replaced, is due to be closed. 1050

Mr G. Wilson: That was a fascinating overview of the state of the wildlife and other areas of our natural resources. As you are suggesting, if things are bad now, the possibility that they are going to get even worse without the funding you are talking about here. In particular, the wetlands are not something everybody thinks about. I am glad you mentioned them. But even there, as you say, they have not been evaluated. Many southern wetlands are in need of re-evaluation and protection.

Actually, you reminded me a lot of the speaker just before you, who mentioned the need for funding in education; otherwise we are going to be left behind in the world economy. Here too we are going to be left behind, put at a disadvantage, if we do not keep the funding. We are already falling behind. If we do not get the funding in there, we are going to be even that much further behind.

In fact, the speaker earlier this morning said we have to be ruthless if the money is not there. So we are faced with this divergence of views here, and I was just wondering what your comment on that is. It seems to us that if we do not find the money now, these things are going to get even worse. As in the case of education, in this case as well we are going to have to pay even more in the future, even if a part of the stuff will be beyond repair. I am thinking again of the wetlands, where they have even disappeared. What is your view then of the funding and how we meet those needs now?

Mr Morgan: I said earlier that I am not going to comment on the total provincial budget because that is not my area of expertise. This is. One of the great things about fish and wildlife is that investment does bring return. We often look at the natural world and the environment as something that takes money from us, that we spend money on to protect. I commented on the federal-provincial survey that shows that for every dollar spent, \$4.50 comes back in direct return to the government, never mind all the jobs it creates, all the quality of life we gain out of it, the people do not have to pay welfare or unemployment benefits to.

Indirectly, of course, if you wish to talk about education, that is the area of youth employment. As you know, when young people in this province cannot afford the full cost of their college or university education, they can apply for supplementary funding under the OSAP program. But one of the nice things about fisheries and wildlife is that when fish camps and hunt camps and lodges operate, they are employing a great many of our young people, our university students and our college students. The money I spend when I go to that camp goes partially into the pocket of the student, and he or she no longer requires the OSAP grant from the government. It is another financial benefit, as it were, to the province. So we would argue most strenuously—and I think the facts prove—that when you spend money on fish and wildlife, you reap a financial reward as well as a quality-of-life reward.

Mr Conway: Mr Morgan, it is very good to see you here and to say that I really enjoyed your presentation. I would like to know a little more about the direct revenues from the fishing licence alone. I am sure we do not have the numbers for 1991. Do you know what they were for 1990? Do you know what the actual revenues to the province were from the sale of the resident angling licence?

Mr Morgan: They work out to roughly \$11 million. Of course, that is an amount that originally was to be added to the base fisheries budget to cover the cost of new initiatives, things that could not happen without that money.

Mr Conway: So we could expect that in fiscal 1991-92, we are probably looking, on that account alone, at about \$10 million to \$12 million. Is that correct?

Mr Morgan: Yes.

Mr Conway: It is your expectation then that the money this year, like last year, is being in part diverted to other government activities?

Mr Morgan: There is no question that when the fisheries budget or the total MNR budget does not keep up with the rising cost of doing business, it has to look elsewhere to pay for things that it has paid for out of base budget in the past. There is no question that if one examines carefully the expenditures attributed to the resident angling licence, many of those are activities which were formerly funded out of the base fisheries budget.

Mr Conway: Those of us who are advocates of that licence advocated it on the basis that it would be a way to generate dollars to do, as I recall, a couple of things: to restock and to work on fish habitats. You are telling me what I think your membership in my own constituency has been telling me, that in the last couple of years those activities are in relative decline.

Mr Morgan: There is no question that out of both the base budget and the increased budget due to the resident sport fishing licence we are not able to do in this province what we should be doing or what we have done. Yes, fish stocking, habitat work and enforcement were the principle directions demanded by the public and agreed to, as I recall, by the government at the time of the introduction of the resident sport fishing licence.

Some of that is being done. I do not want to suggest that there is no benefit to the licence; there certainly is. We are not capitalizing to the fullest extent on some of the spinoff benefits, the non-financial benefits of the licence, but indeed we certainly are not realizing the benefit that we should have by adding on those funds to a base budget that is adequate. The base budget is not adequate, so the add-on does not create the benefit it should.

Mr Conway: I think you and your membership well understand the pressures on any government to meet all the expenditure pressures that are out there, but I certainly get the impression from your brief that your argument is as much now with the way in which MNR is spending the allocated resource, of whatever amount, as it is with anything else.

Mr Morgan: There is no question that we could analyze, I suppose, the total MNR budget and we would come up with our own priority list on how it should be spent. One of the things that is worth noting, however, as I mentioned in my comments, is that the minister's own advisory council has suggested that staff of MNR develop a needs list for fisheries, something started at the grass-roots level within the ministry rather than at the top, something that is based not on, "Here's how many dollars there will be; now what can you do with it?" but rather, "What needs to be done and how much will it take to do that?" Then the government can consider how much of that it can really afford to do and what the loss is if it cannot provide those things. There is no question that needs to be done.

Mr Conway: But it seems to me, by virtue of your own brief, that you have lost out in some of that. Clearly this government, and I think earlier governments, decided

that greater investments in parks were merited in relative terms compared to some of the things that might be on your priority list.

Mr Morgan: There is no question that, as I said, again drawing back to the brief, far fewer people enjoy provincial parks than enjoy wildlife in this province and yet the parks budget is over twice that of wildlife. That is not to suggest that the parks budget should not be where it is, but it is to suggest that the wildlife budget is ridiculously low.

Is there a person in this room who does not in one way or another enjoy wildlife and who would not be prepared to have a greater amount of his tax dollars go to take care of the enhancement and the protection of wildlife? That should be part of any government's environmental agenda.

Mr Conway: But given the finite resources of any government, I am interested to draw you out as to what you think explains the relative treatment of parks versus the sport fishery.

Mr Morgan: I think it is safe to say that people see parks as a very simple thing to look at as a means of protecting ecosystems and wildlife for the future, but unfortunately they are a very small part of the total picture that needs to be protected and enhanced.

Mr Conway: Finally, my impression—not so much from your brief but from reading many of your weekly and monthly commentaries—is that MNR is a boiling pot at the present time and we should keep an eye on it very carefully.

Mr Morgan: I do not think there is any question that there is a great deal of unrest out there, and you will be hearing far more about natural resources problems in the future if something is not done about it.

The Acting Chair (Mr B. Ward): I would like to thank you for your presentation, and very good questions from all parties.

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LIN GOOD

The Acting Chair: Lin Good, you have 15 minutes.

Mrs Good: First, I am delighted to be here. I should explain that I represent no one but myself. I am a member of far too many groups, organizations and associations, but I am also an individual with strong political views, as my member, Gary Wilson, knows. I am also a person who feels very, very passionately both Canadian and Ontarian. I feel that occasionally it is important for individual citizens and taxpayers to record their views, because I also believe that an aggregate of all our special-interest groups is not necessarily the sum of Ontario. I think it is your job as a committee now and the job of the government, with the opposition, to represent the whole of Ontario, regardless of the special-interest groups which may have pleaded their case, including mine, to you.

It is in that context, therefore, that I chose to come as an individual rather than as a spokesman for any of the various groups that I serve with. I would also like to point out that I have not suffered unduly nor have I benefited from the budget, so I have no particular case to plead about the government budget. In fact, the only thing I think I have suffered from in the budgets recently are the annual

increases in my federal income tax, and this is not the forum for that, is it? Otherwise I could give you a very impassioned plea for doing that better.

But I do support the budget. I support it in a general way as being the right approach to the financial, business, social and economic management of this province at this time, while nevertheless being heartened by the fact that the Treasurer has pointed out that it is right at this time that you plan a longer-term strategy to cope with some of the underlying problems, particularly if we manage to get into slightly better, more prosperous economic times.

I would like to mention very briefly the points I especially like about the budget before I get to my suggestions.

I like the fact that you aim to protect and help the vulnerable: the young, the disabled, the weak, the elderly who are not able to look after themselves. I like the fact that you acknowledge that there is a recession and do not pretend it will go away on its own and that we can all just suddenly survive if only we look into the future—that it does in fact need a different management at the moment.

I would like to record too, though, that I am not happy about any deficit and it is no use pretending that I am. I doubt if you are. I am sure you are just as unhappy with it as any taxpayers, but you have the job of somehow trying to cope with it, get rid of it and run the province meanwhile.

I am particularly worried, and I want to put this note in for those of you who may be in the higher reaches of the economy of this province, about foreign debt. I am much more comfortable with debt owed in Canadian dollars than I am with debt owed in foreign currency, because foreign currency debt means that we are subject to either pressure or sudden change which affects all of us by forces beyond our control altogether. I believe, though on this I have not yet had time to check, that this is more important in the federal budget, where the last time I looked more than 50% of our federal debt was in fact owed to foreign countries.

That is the background, because I wanted to comment that I was therefore heartened this morning to hear that Premier Rae, who has now arrived at the conference in British Columbia, was also approaching things in the same way. It seems to me that what you are coping with, what I am coping with, to a very large extent is really beyond our province's control.

I like to know that all parties of Ontario are going to help solve the difficulty we have gotten into, because I do believe that the whole picture is what needs to be attacked. Again Mr Laughren, in one of the speeches I read, also recognized it: that unless we come to grips with co-operative measures among the provinces and between the provinces and the federal government, unless we recognize the appalling impact of the high dollar and the high interest rates on our exports, we are not likely to solve anything.

I mention this because I get rather tired of everybody—and you have not done that, so this does not include you—but it does sometimes include speakers—assuming that only economists can understand what is going on. I do not believe that. I believe a lot of us do understand and that we are ready to have the truth about something for a change and not comfortable reassurances, which is another reason I liked the provincial budget. It gave me some truthfu

ta, it seemed. I am a librarian by training. I checked it all Statistics Canada when you presented it. You gave me the data and you told me what you were doing now and what you intended in the long term.

I just want to draw to your attention, then, the points in the budget package, not just in the actual dollars and cents. I am not going to talk to you about how to spend the budget, what to do, what to take from Peter to give to Paul, because I believe that is your job. I would like to tell you something about it, but in those details I will write.

I want to target the principles which I as a very heavy payer, as a matter of fact, feel are hopeful and which I hope will be worked on, not only by the government but by the other parties as well.

1. I thoroughly support the comprehensive review of the taxation system which, it was stated in one of the many papers I have read, is scheduled to begin soon. The number of taxation methods, direct and indirect, by now defies description. Not only does it bother me that I have to pay them all, but it also bothers me that the complexity of them must take far too much time. Although I agree that public service jobs are important, I would rather they be devoted to something other than calculating taxes.

2. I would like to emphasize that I was delighted to see that the Ontario government of Premier Rae intended to develop a partnership in commerce. One of the things which—if I may refer to Gary; he will remember—I believe most strongly in, both in labour relations and in politics, is that it really does not work well to be confrontational, competitive and adversarial all the time. Occasionally it may be necessary, but I believe it is much better to be co-operative, to be straightforward with each other, sometimes to make compromises. Sometimes one person has to give in.

I am delighted to see that Premier Rae and Floyd Laughren both said that they intended to develop this partnership, because I believe very strongly that private enterprise brings in the money, and I am very fond of small business. Everybody who runs a small business in Kingston I am sure would vouch for the fact that I shop in Ontario, and especially in Kingston.

I like private enterprise to bring the money and I like you, as my elected representatives, to decide how to spread it around fairly so that we do not have people—in the language my grandfather once used; he was an MP in England—starving in the gutter. That is not my view of democracy, to have such an enormous gap between rich and poor that we do not all benefit to some extent.

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Last, I congratulate whoever came up with the idea that you would look at sound fiscal management. I believe you inherited some good things and some poor things from the previous governments, with both of which I worked quite happily, because I believe always in working with the government in power, taking it that it represents the majority view, even if not necessarily mine.

Sound fiscal management seems to me to be essential in times of shortage of money. No longer is it possible to solve a problem by throwing money at it, the wonderful solution that if you have enough money you can solve it.

Maybe you can, though it may not necessarily be the best use of money. Certainly I would like to ask in closing that you apply that sound fiscal management first of all to one of the main bases of our society, to one of the cornerstones of our democracy: the health care system.

This, I think, needs your attention more than any other. This is an area in which I have worked as a volunteer for about the last 20 years in various capacities on various bodies. In the report of the Premier's Council on Health Care Strategy, these volumes on health care strategy, you have a very sound working document.

I am sure you all know, but I draw to your attention if you do not, the very good summary that Ted Ball gave in his address to the McGill Club in Toronto some time ago. I know this is not a popular approach. I know that in health care it is much more popular to think that if only you can find enough money, if only you can not close any beds, if only you can add to the system instead of tackling it, that you will win in the end win out. I do not believe so.

I am mentioning this because increasingly I note—there was one in the Sunday Star yesterday—a plea to consider user fees. I urge you not to consider user fees until there has been a thorough review of this. I am not happy with user fees when I am supporting something with a tax base. That is becoming the method of getting extra money, both at the municipal level and at other levels, but in this there are so many suggestions for a thorough review of the system and perhaps a better use of the money than we now have.

I am delighted with the long-term care proposal, which shows the shift to community and prevention. I would just urge you, however unpopular it may seem and whatever passionate articles denying that you should be doing it may be printed, to start this before it is too late, to echo Ted Ball's words.

I would like to close by saying that I agree with this phrase from his speech, and I acknowledge that I get it from him, though he gets it from Herman Khan, formerly of the Hudson Institute. He says: "The message is simple. People aren't stupid. When you present them with choices, real wisdom will prevail." I like to think that is especially so in Ontario and I would like you to present us with some choices for coping with the deficit, not pretending it will go away, and beginning with something like health care.

CATARAQUI CO-OPERATIVE HOMES

Ms Chan: My name is Rose Chan. I am vice-president of a co-op housing project named Cataraqui. Around eastern Ontario we have some really bizarre names, like Gananoque.

Thank you for the opportunity to speak before the committee. Since I am speaking on behalf of Cataraqui Co-operative Homes, a non-profit housing provider, I will concentrate my remarks on the area of non-profit housing.

I would like to begin by applauding the Ontario government for its forthright pledge to affordable housing in this budget. As an advocate for affordable non-profit housing in Kingston, I have great anticipations from a government that states in its first budget that affordable housing is a key priority of this government. Such statements are, of course, meaningless unless they are backed up with additional

budgetary allocations or specific policy initiatives. I am happy to see that this budget has both. The budget makes a commitment to provide an additional 10,000 non-profit units for Ontarians and to increase the Ministry of Housing's funding by 39%.

I would like to address these specifics with respect to the experiences of Cataraqui Co-operative Homes and also to the question of effective fiscal management that is raised in the government's budget.

In September of this year Cataraqui Co-op completed the construction of 26 European-style town houses in the north end of Kingston. The board of directors is currently looking at the possibility of increasing this number through the acquisition and renovation of an existing CMHC development and the construction of new homes in Pittsburgh township, a neighbouring municipality.

As a housing co-operative, we strongly believe that a housing community requires a mixture of income levels and housing styles that are appropriate for the local community. We feel that this is a healthier living environment because it encourages resident participation and the development of a supportive community. In addition, it minimizes the stigma that is attached to residents of concentrated low-income areas. I would like the Ontario government to encourage this type of community by earmarking a number of the 10,000 units as co-operative housing.

Since the creation of non-profit homes is publicly funded, we recognize that there is a limited pool of money available with which to build as many homes as possible. We are, however, concerned that an overemphasis on cost-effectiveness will translate into lower building standards and therefore a lower living standard for residents. We must not forget that people must live in the homes we design and build.

An example of this with our project is that we were not able to use cement block walls between the units because we did not have enough money in our budget. Although the walls were constructed to building code standards without the use of cement blocks, they do not provide a sufficient level of sound insulation. Since these conditions negatively affect the sense of privacy the residents have in their own units, this contributes to a more stressful community. This means that the residents will have to put up with a lower quality of living until the funds can be found at a later date to pay for an expensive retrofit.

Cataraqui Homes believes that it is more fiscally responsible to build quality housing from the start than to build and maintain a lowered-standards home. To ensure that the minimum building standards are enforced, we would like to see all future non-profit and co-operative homes built covered under the extended home warranty program. This is essentially no cost to the government, yet it will ensure that a consistent high standard is maintained by builders and contractors.

The Ontario government also needs to review the mechanism used to determine the cost of building an affordable home. The current system of using the maximum unit price, more commonly known as MUPs, is intended to represent the total cost of developing a particular type of home in a particular geographic location. One problem

with this method is that the MUPs, which are calculated the beginning of the year, may not reflect the actual cost during inflationary times. This means that quality of paint, tiles, wood, insulation methods, etc., are shortchanged in order to meet the MUP requirements. This in turn leads to early deterioration, which in turn leads to higher maintenance costs.

A second problem with the MUP system is that it does not take into consideration local anomalies. For example, the cost of land is actually cheaper in the city of Kingston than in the neighbouring municipality of Pittsburgh township. We would like to see that the MUPs only reflect the cost of building a quality modest home and that the cost of acquiring land be a separate item.

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The Ontario government can help non-profit housing providers by releasing or making available underutilized government-owned lands. In Kingston, affordable housing could be built on the old Ministry of Transportation site or on the outer portions of the Kingston Psychiatric Hospital. Another location where land may be available is the St Lawrence College site. Land originally granted to St Lawrence College for educational purposes and now surplus to the college should be returned to a provincial land bank to meet general housing needs rather than be sold directly by St Lawrence College to the private sector.

Besides the previous examples, the Ontario government should consider purchasing suitable urban land and providing it to non-profit housing groups at a reasonable cost. We wish to note the oversight that left Kingston off the list of communities targeted for land banking for non-profit housing purposes. This list is found in the Ministry of Housing's consultation paper entitled *Government Land for Housing*. The Kingston urban district faces a growing shortage of land available for development, especially in the core of the city, which makes non-profit housing difficult to implement. In Kingston, Queen's University students are competing for the existing stock of low-cost rental accommodation, thus putting modest-income families at a disadvantage. We would like to see a review process which will allow communities such as Kingston to be considered for inclusion.

Another problem with the MUP system is that it does not allow for progressive environmental initiatives. Cataraqui Co-op is heated using electricity. If it were possible within our budget, we would have preferred to heat with gas since gas is cheaper and would serve to reduce our reliance on the nuclear generation of electricity. The MUP system needs to be modified to provide extra funds for developments with innovative environmental ideas and designs that serve the broader goals of this government and of this province. As for existing developments wanting to be included in more environmentally friendly systems, such as a composting program or a wet-dry system, the Ontario government could guarantee loans with private lending institutions. Implementing these ideas would be in keeping with the government's stated goal of environmental integrity.

The budget states that effective fiscal management will be achieved through comprehensive review and evaluation of existing programs. While we agree that the re-evaluation

any system is important and valuable, the Ontario government must not allow the re-evaluation process to take an inordinate amount of time or to prohibit the funding of more affordable homes. We need an approval and allocation process that is flexible, accessible and simple. It is especially critical in times of a recession, when construction jobs are a much-needed boost to the local economy and more house can be built for the dollar.

We wish to reiterate that a high standard of quality is cost-effective. The government can assist us by ensuring adequate funding to our efforts and assistance in ensuring quality construction and design while also allowing flexibility in innovative design methods. The local community is the best source of expertise on what it needs to meet local conditions and local community standards. It is our goal in design to ensure that social-assisted housing integrates well with the rest of the community.

We also wish to emphasize our strong commitment to mixed-income communities. We note that the analysis in the Ministry of Housing consultation paper entitled *A Housing Framework for Ontario* demonstrates that the economic rent is much higher than the market rent. We are sensitive to the fact that the government is subsidizing those who are paying full rents in non-profit and co-operative housing. There are those who would say that government investment should be restricted to the neediest. We think this view is self-defeating. It creates jealousies among those left out and stigmatization of those admitted. It also leads to the ghettoization of people in need.

The housing we build tends to be of moderate value, not at all luxurious. Full market rent payers sacrifice luxury for the values of co-operative living and for lower rental costs. Their presence in the co-operative is an asset. The long-term benefits to the community outweigh the costs to the government.

It should also be noted that governments subsidize not-for-profit developments through various programs. Residents in such developments benefit from the housing support resources of the province of Ontario. Therefore, the government need not apologize for a similar policy in the case of non-profit housing.

Finally, the members of Cataraqui Co-operative Homes wish to report that we have dedicated ourselves to the development of quality, affordable housing based on co-operative living arrangements. Therefore, we find we are in full accord with the first principle outlined in the *Housing Framework for Ontario* consultation paper, which states that access to safe, secure and affordable housing suitable to people's needs is a basic human right. We intend to continue to work towards that end, and thus we wish to enforce the government's commitment to providing affordable housing as a key priority. I hope that some of the ideas and suggestions are incorporated in the NDP's vision for the future of Ontario.

Mr Cleary: Thank you very much for your presentation. How many months did it take you to complete your first project?

Ms Chan: From what stage? From the stage of getting location?

Mr Cleary: Yes, from when you started, from when you put your committee together.

Ms Chan: We started in the fall of 1987.

Mr Cleary: And when did you open?

Ms Chan: September of last year.

Mr Cleary: I understand that you have applied for another project now.

Ms Chan: Yes. There are 10 town houses that are funded through CMHC right now that we are interested in purchasing and renovating. The program that falls under will be terminated soon and we are afraid that the housing that is affordable now will be turned over to the rental market at a much higher price, leaving out 10 more units of affordable housing in Kingston.

Mr Villeneuve: How many people percentage-wise in your co-operative homes would you say do not have support for their rent?

Ms Chan: How many people are not subsidized?

Mr Villeneuve: Yes.

Ms Chan: I cannot recall the figures offhand. I think one third of them are not.

Mr Villeneuve: So basically two thirds of your residents are receiving support from the provincial government to cover their rent.

Ms Chan: To some degree. Some of those are very needy and get a fair percentage, and others do not get that much.

Mr Villeneuve: I noticed in your presentation you are quite happy to see a number of people who are not receiving support. Do you feel that the mix you now have, one third-two thirds, is sufficient to prevent ghettos and to prevent some of the negatives that you touched on?

Ms Chan: Yes.

Mr Villeneuve: Would you like to see it slightly different?

Ms Chan: No. I strongly believe that we need mixed-income communities and that we cannot concentrate all the low-income people in one area; nor can we concentrate all the high-income people in a separate area and make them exclusive.

Mr G. Wilson: Thanks for your presentation. I would like to hear what you think are some of the major factors in the growth of co-operative housing in this area. For instance, are you finding that there is a lot of interest and do you have a waiting list of people to get in? What are some of the things you could do and the government could help you with to promote the growth in this area?

Ms Chan: Right now in Kingston we are one of three co-operative developments. I am not sure of the total numbers, but I think there are maybe a little less than 300 units right now. Because we are fairly new, we do not have a waiting list yet, but I do know Lois Miller and Kingston Co-operative Homes. There are waiting lists there, and I know there are people who are interested in living in a co-operative development because the residents do some of the maintenance work. Therefore we are not putting in a lot of money towards maintenance, so we can keep our

housing charges low, and I think that makes it attractive for a lot of people. One of the problems we are finding, as I mentioned in my presentation, is that we cannot find enough land to develop more co-operative housing. It just costs us too much, and it also costs us quite a bit to build a quality home that is suitable for modest-income people.

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CLAIRE LESAGE

The Chair: The next person to appear before the committee is Ms LeSage, of the Paper Circuit.

Ms LeSage: My name is Claire LeSage and I have been a resident of Kingston for approximately 12 years. I am a single parent. Two years ago my mother and I embarked on a business venture together. Our business is a recycling firm. It is a new, emerging business. When we started, there was no other business in Kingston that was operating this kind of business. It is an emerging industry, and so it is wide open for all kinds of people to take part in it and it is also wide open for us to gain experience as we go. In other words, it has been a difficult process.

To give you a brief synopsis of how it works, what we do is we go out to businesses, the industrial, commercial and institutional sector in Kingston and Kingston township and as well in the Napanee and the Belleville areas, and we collect from businesses and schools. When we first started, we were collecting the paper free of charge. We would take it to our warehouse, and there we have to sort through it and pack it and then we sell it to a broker, who in turn sells it to a local mill. We were not able to sell directly to a mill because we did not have the major equipment necessary for sales of that scale.

I decided to come in front of the committee, though, because I have become aware that the tax structure that is set up for corporations is, in my opinion, unfair. It is very difficult for a small business to compete effectively with large corporations that can absorb some loss in certain areas of their business.

We would like to purchase new equipment, for which we have applied for funding, a loan. When we started the business, we did get a business loan. We had to put in a certain amount on our own, so we have been paying off the business loan while at the same time working in the community.

In the past two years of our operation we have diverted 800 tons of paper from local landfill. At a cost of \$140 a ton to be hauled to landfill in the Ottawa area, that is a saving of \$112,000 to the municipal government. This is what our business does. I am not looking for recognition for that sort of thing, but what I am here to say is that due to the tax structure, if our net profits are 98% of our gross profits, which is what they are, we cannot work effectively. We cannot do the business we need to do; we cannot compete against the larger companies.

We have a concern not only for hiring locally but also maintaining our service for local business. I am a graduate of Queen's University, and that was one of our first major contracts. We collect a ton and a half of paper a week from Queen's.

Now there is a larger firm that has come into town that would be able to move in on any one of our businesses simply because it can afford to offer more service, and think it can cover its taxes more easily than somebody who is making less money for what he does. The large conglomerate that comes into town with US ties has the ability to absorb loss, but as well it can funnel its profits into the United States—this is a possible scenario, this is not fact, where the tax structure may be less structured.

So my major complaint that I would like to present to the committee is that the tax structure should be fair for small businesses so that we can operate effectively in the community. It is a brand-new business, and if there was some sort of method by which our business either could pay less taxes or somehow have some benefit for what we do for the community—the large businesses in many ways are subsidized because they can get contracts for all across the country. They can work in every major city in the country, whereas a small business just starting out and having to pay the same tax structure does not reflect adequately, I do not think, the way our business is set up. By allowing the monopolies of these large companies of the emerging industry, small businesses and the local economy will suffer. Furthermore, the ethics and dignity of working, operating and starting a business account for a lot. We are concerned with employing local people. As I said, we take pride in maintaining the service we have been providing for local business.

That is the total of my presentation, very brief, but thank you for taking the time. I know it is a tough business.

Mr Jamison: Thank you, Ms LeSage, for a very interesting presentation. I commend you for the initiative of opening a small business. What we have heard today, especially in the area in which you operate, presents some problems in the area of recycling, and of course you find yourself in competition. I wonder if you could expand at all on your presentation by giving some suggestion of what you feel could be done beyond what you have already said.

Ms LeSage: One possible means that would make fair for small businesses starting out is that perhaps profit or our revenue could somehow be a base for what we would pay in taxes, similar to the way the taxing is set up now, so that people of higher income pay a higher tax. The same for large corporations: If your revenue is over a certain dollar figure, perhaps you fit into one tax structure, and if your revenue is below a dollar figure, then your tax structure would be different in that you would not have to pay the same percentage or as frequently; set it up somehow.

To give you a brief idea of what we had to pay just before the end of the month of August, our provincial business tax was over \$500, our federal business tax was over \$500 and our GST was \$600. That is a total of \$1,690 or thereabouts. That in one month presents a considerable hardship to a small firm where, as I said, our net income is perhaps 98% of our gross. Somehow somebody has to suffer. Also, starting out in a small business, for the first year I worked without wages at all and I lived on family benefits while raising my son. It was all very difficult because I had to balance the different working styles, but I think because

tax structure is as it is, we have to pay as much, considering how much we make, as large corporations.

Mr Kwinter: I assume when you started out you got a venture loan.

Ms LeSage: Yes. We put up a certain amount of money and then the bank in turn gave us the—

Mr Kwinter: How long ago was that?

Ms LeSage: Two years ago.

Mr Kwinter: I cannot really comment, because I have not seen your operation, but it would seem to me that with a good accountant, and the fact that you borrowed money and you did not pay yourself wages for a year, you should not be paying any tax for some time because all of those expenses are tax deductible. Notwithstanding that they may have occurred in your first year, that should be carry-forward so that when you start making some money you can pay that down.

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Ms LeSage: It is, yes. I understand. We had a loss in our first year of \$2,000. We carried it forward to the second year. We do have an accountant, but again this is another benefit of large corporations. They can afford reams of expensive accountants who are experts in their field. We have a very good accountant, but according to our books we made \$6,000 in our second year of operation including depreciation, etc. We did not see a whole lot of that. Because it said on paper that is what we made, we had to pay corporate taxes. So even if we have an accountant who can claim all of the expenses and balance things out so we do not have to pay taxes, it is still, in my opinion, a benefit of large corporations. I cannot look around for different accountants to figure out the best way to do this. Our accountant's bill alone was difficult in one month.

Mr Villeneuve: As you are well aware, small business will certainly have some difficulty whenever the total deficit, the total debt of the province, has doubled. Quite obviously someone will have to pay both the carrying charges and the reduction, if ever that occurs, of that provincial debt. Are you competing with American recycled newsprint when you are selling?

Ms LeSage: No, we do not deal in newsprint at all at this time. We are strictly in fine white paper. A fact that you may be interested to know is that of all the mills in Canada, two thirds of the paper they use to produce newspaper product is purchased from the United States.

Mr Villeneuve: Yes, I realize that.

Ms LeSage: So what we are doing is good for the local economy and the federal economy.

Mr Villeneuve: Do you do the de-inking yourself?

Ms LeSage: No, we do not. That is done at the mill.

Mr Villeneuve: So you are preparing the paper from the Kingston area here, bundling it and passing it on.

Ms LeSage: And shipping it out. We load it on to a tractor-trailer and then it goes to a mill.

Mr Villeneuve: You said 98% of your gross was profit. I believe you are talking about 2% to 3% of your gross being profit, as opposed to 98%.

Ms LeSage: Yes, thank you. It sounds too good.

Mr Villeneuve: I would like that business as well. Thank you.

AGAPE ASSOCIATION

The Chair: The next group we have is the Agape Association, Ms Diane Strong.

Ms Strong: My company is Agape Association. It is a Greek word meaning unconditional love. I counsel from a Christian perspective in my counselling practice. I am here today because I wanted to speak about social programs.

The first thing you have to know is I have never spoken out publicly about any political party in my life. I grew up in a very conservative county where you did not talk about politics; you just did it. I felt it was important that I speak today because I believe in Ontario we are seeing the dawn of a new era and I just wanted to reaffirm what I felt about that. I believe that the NDP government has spoken out and said that people are more important than profit. To me that is a tremendously important fact and the message is very important to abused women.

The perspective I speak from is as a Christian feminist. I have a four-year degree from Queen's University. I went back to school after being out 28 years and graduated in women's studies, and I have a year of theology in Toronto as well. I have been also doing private counselling for the last three and a half years, and I deal mostly with abused women or children who have been sexually abused.

I would like to begin this talk with a quote I found that I think really speaks on behalf of abused women. It is rather lengthy but I do believe it really fits our cause. It is called *Women Waiting* by Linda J. Bailey:

"Life will begin tomorrow, we tell ourselves. To many women, life is a game in which we are only pretending to participate. Somewhere underneath it all, we still hope we will wake up and find it was all a bad dream and then we will begin our 'real life'. In this 'real life' we will be happy, productive, protected, loved, creative and, of course, financially carefree. But in the meanwhile, we wait.

"We wait for Mom to do it for us. We wait for our breasts to grow. We wait for boys to get old enough to notice us. We wait to be asked to the prom. We wait to be accepted by a college. We wait for a prospective employer to call. We wait for our lover to call. We wait to be asked to be married. We wait for a raise or promotion. We wait for our baby to be born. We wait for our partners to come home. We wait for our partners to fix the washer. We wait for our children to begin school. We wait for our children to grow and leave home.

We wait for our periods to end. We wait for the hot flashes to be over.

We wait for some sign of recognition. We wait for our partners to retire.

We wait to die.

"Women are often protected from the real world and sold a bill of goods, a sugarplum-fairy, soft, safe world that has no relation to the real world at all. We have been trained to wait, to support others at the expense of ourselves, to negate our own needs, feelings and creative energy. We have been taught to distrust ourselves, our bodies and our personal

power. We have been taught to not live our lives at all, but rather, submissively to serve others. We are sleeping beauties waiting frozen in a trance, for the kiss of the prince that will magically transform our lives and transform reality into the fairy tale we were weaned on. It is as if we are for ever waiting for our lives to begin."

Some women are still waiting, but others are choosing to take control of their lives and they need a helping hand from our government. To make genuine choices, abused women need three things: They need knowledge, they need freedom from coercion and they need access to alternatives. Without these three criteria we do not have genuine choice.

Due to the influence of the mass media, most women have knowledge of abuse. With shelters, housing and financial assistance comes access to alternatives. Abused women are able to make choices with freedom from coercion.

In times of restraint in the past, governments have cut social programs. Women and children, who are the major consumer of these services, get the message that they are unimportant, expendable, helpless. The NDP government in Ontario today is publicly committed to funding social programs in this budget.

A powerful message has been sent to abused women. This message is that people are more important than profit. Our government has shown integrity. The NDP government cares about the people of this province. Women will be able to survive apart from abusive relationships. Women will continue to have access to alternatives in the future. Due to the commitment of the NDP government, women will continue to have genuine choice and women in Ontario will not have to wait for Prince Charming.

That is all I would like to say right now, and if there are any questions I would be glad to answer them.

Mr G. Wilson: Thank you very much for your presentation. It certainly has put into perspective some of the constituencies in the community that have to be served by this budget, because it was suggested by an earlier speaker that in fact a lot of the people who are receiving this kind of benefit are undeserving. I was wondering, from your

perspective, not necessarily whether these people are undeserving but what that does to them when they are considered to be undeserving. Is that an added burden that they have to bear?

Ms Strong: Most definitely. I was an abused wife for 18 years and I also was a victim of incest as a child and grew up believing that I did not deserve to be happy and did not deserve a good life. The turning point came for me in 1984 when a government program allowed me to go to Algonquin College and take a business refresher. During that time I learned to do algebra, and I had never been allowed to do algebra. I said if I can do that, then I can do anything with God's help. The programs were in place that allowed me to go to Queen's University and to speak to others, and I now train ministers to recognize symptoms of child sexual abuse in their churches and youth leaders. Most definitely, the biggest hurdle to get over with women is that they deserve a good life and we are not responsible for what happened to us when we were children.

Mr G. Wilson: This seems to me it is an advance, that this knowledge was not available—it might have been available but it was not, say, accepted or not so widely accepted. I was wondering whether you see networking forming that will then promote this in the community.

Ms Strong: Many of the networks that are in place right now are reaching out. One of the most important ones, I feel, is in the courts with the mediation, and we have a pilot project in Kingston. What happens in mediation cases is each person in the case is empowered to speak. They are allowed to take control of their own lives and say what is good for them. I think that is a trend that is happening across the province. I am seeing more of it and it is very rewarding in counselling to see women stand on their feet and say: "I am not going to take it any more. I am going to do something with my life."

The Chair: Thank you for your presentation. It was quite refreshing.

The committee recessed at 1153.

AFTERNOON SITTING

The committee resumed at 1304.

JUSTICE AND PEACE COMMISSION
OF THE ROMAN CATHOLIC ARCHDIOCESE
OF KINGSTON

The Chair: We have the Justice and Peace Commission of the Roman Catholic Archdiocese of Kingston. Welcome to the standing committee on finance and economic affairs for the budget review. If you could identify yourself for the purposes of Hansard, you may begin your presentation.

Mr Matthews: My colleague and I are here this afternoon as representatives of the Justice and Peace Commission of the Roman Catholic Archdiocese of Kingston. My name is Geoff Matthews; my colleague is John Gomes. I am chairman of the commission; Mr Gomes is the co-ordinator.

Our commission is made up of 12 members representing the different regions of the Kingston archdiocese. Members have come from as different places as Kingston, Belleville, Brockville, Westport, Stella on Amherst Island, Wolfe Island, Perth and Thomasburg. Our role as a commission is to promote understanding of Catholic social teaching within the Catholic population and to represent a Catholic perspective on social issues as we understand them to the wider community. It is in this latter role that we appear before you today.

The perspective from which we draw our point of view is a living tradition of Catholic social teaching that celebrates its 100th anniversary this year. A hundred years ago Pope XIII put out the papal encyclical *Rerum Novarum*, and that began 100 years of social teaching; it is 100 years old this year and it continues. The written documents and statements on social issues made by Catholic Church leaders over the past 100 years represent a dialogue between the modern social reality and the Christian gospel. As such, we believe this teaching has relevance far beyond the denominational limits of the Catholic Church and we hope this will be the case throughout our presentation today.

What concerns us regarding the budget: Many commentators have reacted very strongly to the Ontario budget deficit of \$9.7 billion. While we recognize that this deficit is large, it in itself does not represent our major concern. We believe that Canada as a whole and Ontario in particular are facing something far more serious than a predictable economic downturn in the business cycle. Rather a major restructuring of the economy as a whole is taking place and extraordinary means have to be taken to minimize the devastating effects of such change on ordinary people.

We reject the idea that market forces alone will sort everything out to the benefit of all. This is patently false. As Pope John Paul II points out in his latest social encyclical, *Centesimus Annus*, which was released at the beginning of May of this year, "There are many human needs which find no place on the market, yet it is a strict duty of justice and truth not to allow fundamental human needs to remain unsatisfied and not to allow those burdened by such needs to perish."

We do, however, recognize that the size of this budget deficit does place a major responsibility on the government to

spend the public's money wisely and in the best interests of all Ontario citizens. We have three concerns to raise regarding the manner in which the budget is spent. These concerns are in the area of health care, employment and social assistance to the economically disadvantaged.

We are all aware of the enormous pressures on the health care system in Ontario. Our region is no exception. By way of example, provincial care to the handicapped has been cut back in the Kingston area. Hospitals like the Great War Memorial Hospital in Perth and the Carleton Place and District Memorial Hospital in Carleton Place are both caught in monetary negotiations with the ministry which are affecting their ability to deliver adequate health care to their communities. This is by no means a complete list, simply a few examples to illustrate the effects on people's lives when the government is strapped for money and hard decisions have to be made.

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Yet in spite of these and similar situations across the province, the government has decided, according to press reports of June 20 last, to launch what we see as the promotion of abortion throughout the province. Health care money is now available to finance the operating expenses of abortion clinics and the training of doctors in abortion procedures.

We find it incredible that the government of Ontario would make such a decision given the fact that a large number of Ontario citizens regard abortion as the unlawful taking of a human life. This action implicates the government itself in the eyes of these citizens in activities contrary to the moral principle that the right to life itself is the first and most important of all human rights.

I would like to make some addresses regarding structural changes within the economy. In our opening remarks we stated that the changes taking place in the Ontario economy today are, in our opinion, of a fundamental nature. Technological and political developments driven largely by the corporate sector have been transforming the ways of people earning their living. First of all, there has been an enormous loss of full-time, permanent jobs in meaningful work in Ontario. Second, the nature of work itself is changing to part-time, insecure patterns of employment. We believe these are the two most negative results to date of the economic restructuring that has been taking place for some time.

Unemployment and underemployment represent for us grave social evils, social sin as we prefer to call them, particularly when planned and premeditated, as seems to be the case. Pope John Paul II recently reminded us that "in the developed countries too, there are still pockets of people who are marginalized especially because of unemployment and underemployment. For these people the principle of 'justice for the weakest' retains all of its timeliness." The source of that quotation is *Osservatore Romano* of February of this year.

Our position then is one of support for all initiatives in this budget that protect permanent jobs and increase permanent employment and encourage meaningful work. The protection of Ontario public servants' jobs, the creation of

70,000 jobs mainly in construction, the \$57 million to small manufacturing companies; these are examples in the budget we commend.

However, there is one concern we would like to raise. Our reading of the budget indicates little in the way of structural changes that are needed to counter the negative impact of the economic restructuring now taking place. We would like to have seen items in the budget encouraging the formation of worker co-operatives, worker takeovers of companies that are closing viable operations and other forms of community-based enterprises. In this regard, we applaud the government's efforts to save the Spruce Falls paper mill, as well as other such initiatives it may be undertaking along these lines.

In the housing sector, we welcome the 10,000 non-profit units slated to be built, but we would urge maximum use of co-operative ventures to accomplish this task. It is our conviction that the broad sweep of economic policies in this budget should promote more democratization of enterprise involving worker, community and neighbourhood participation. The 1986 statement of the United States conference of Catholic bishops on the American economy seems to us to be particularly relevant to our own situation, and this is a direct quotation from that document:

"If increased participation and collaboration can help a firm avoid collapse, why should it not give added strength to healthy businesses? Co-operative ownership is particularly worthy of consideration in new entrepreneurial enterprises.

"In the principle of subsidiarity, Catholic social teaching has long stressed the importance of small- and intermediate-sized communities or institutions in exercising moral responsibility. These mediating structures link the individual to society as a whole in a way that gives people greater freedom and power to act"—and a very real sense of belonging and participation. Excuse me, that is my comment away from the quotation. Going back to the quotation: "Such groups include families, neighbourhoods, church congregations, community organizations, civic and business associations, public interest and advocacy groups, community development corporations, and many other bodies...."

"New co-operative structures of local ownership will give the community or region an added stake in businesses and even more importantly give these businesses a greater stake in the community. Government on the local, state and national levels must play a significant role, especially through tax structures that encourage investment in hard-hit areas and through funding aimed at conservation and basic infrastructure needs."

On the matter of social assistance to the economically disadvantaged, this budget calls for a \$215 million expenditure for social assistance reform. These reforms were outlined by the minister on Tuesday, August 20. Our position has been to support the recommendations of the Back on Track report, released earlier this year. We wrote to Mr Rae on that matter and we got an excellent reply from him. In so far as the announcements made by the minister coincide with those of Back on Track, we welcome them.

However, we have a deeper and more long-term concern about social assistance in general. Our concern arises from the fact that one of the possible outcomes of the current

changes in Ontario's economic restructuring is the number of people who will be left permanently unemployed. As the Canadian bishops warned in their 1983 statement on the economy, we could be left with a new class of people—the so-called techno-peasants.

For this reason we believe that moneys spent on social assistance reform in the province should move toward creating a more just system that respects the dignity of recipients of aid. The concrete proposal we would like to promote is the replacement of our current welfare program by a form of guaranteed annual income. Such a program was recommended by the Macdonald commission—originally put forward by the federal Liberal government—the same commission that recommended the free trade agreement with the United States. While the free trade agreement has in fact been implemented, the guaranteed annual income has until recently been put aside.

We are encouraged in our efforts to promote a form of guaranteed annual income to replace social welfare programs by the release last month, on July 3, of a favourable study on the subject by the Economic Council of Canada. We realize that study and discussion in the past has concerned itself with a federal program. What we are saying here is that Ontario should push ahead with its own reforms with a view to the ultimate setting up of a guaranteed annual income within the province.

Thank you for your kind attention to our presentation.

The Chair: Thank you. We have two minutes for three parties to split up.

Mr G. Wilson: Thanks a lot for your very thoughtful and provoking presentation. You covered a lot of areas, and of course we are hearing other views of this as well. One question in response might be, what do the bishops in particular, but say the Catholic Church in general, know about economics? Why should you be able to talk about economics in the way you have?

Mr Matthews: The Catholic Church has always brought a moral perspective to our economic views, and it is interesting that a number of economic proposals throughout history have been put forward. A recent one that is now becoming passé was communism, but it was popular there for a while. The Catholic Church spoke out against that. It historically pointed out the flaws which I suggest we are seeing today coming true. Similarly, in the very recent encyclical of Pope John Paul II, *Centesimus Annus*, which was released at the beginning of May this year, he pointed out that he was not suggesting an argument based on a certain economic technique but that the Western capitalist system must not be allowed to run roughshod over the poor without moral responsibility, because it will be just as great an error as totalitarian communism has obviously been.

Mr G. Wilson: I just wanted to—

The Chair: I am sorry, Mr Wilson, your time has run out.

Mr G. Wilson: That was not two minutes.

The Chair: Yes, but divided among the three parties and the answer was longer. I would like to thank you for your presentation here before this committee.

The first presenters, the Canadian Union of Postal Workers, did not appear at 1 o'clock. The committee is had a half-hour and a lot of the presenters say it is unfair that some of them walk in the room and have to present right away and some of them are not here as yet, so we will take a recess until 1:45.

The committee recessed at 1324.

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PAUL GERVAN

The Chair: The next presenter is Paul Gervan of the St. Asia Co. You have 15 minutes for your presentation.

Mr Gervan: I appreciate the opportunity to make my views known on the current budget. I am a small business person from Seeley's Bay, which is just north of here. I am also an active environmentalist in this area and have been for some years. I am a member of the NDP, to be frank with you. I support the party and this budget initiative. Beyond all that, I am someone who cares deeply about the future of this province and the future of the planet.

My reason for speaking to you this afternoon is to counter what I perceive to be very one-dimensional, shallow and predictable reporting of the budget by the media. I think that reflects itself in the public opinion we have seen, on a superficial basis, of the budget. This shallow and predictable reporting of the budget I think is understandable given the ownership of the media, whether it be the Cutham group, Thomson, Baton Broadcasting or whatever. The interests of the media show themselves in the coverage of this attempt to do something different with our economic system.

The media coverage most of us have been subjected to is characterized by several myths. One of them is that small business and indeed most informed opinion are unilaterally opposed to the budget. I contend that is not so. The second myth would be that the budget is fiscally irresponsible. I believe it is not. When I went to university we were taught about Keynesian economics and the simplified theory, of course, was that governments should act to counteract countercyclically by building deficits during hard times to stimulate economic activity. I believe that is in part what this budget is attempting to do.

Another myth that I think is prevalent is that the budget is bad for the province; the rather alarmist headlines that the socialist hordes were going to spend us out of existence and bankrupt the province. I think this is a gross simplification and largely inaccurate. With regard to its impact on the province, one perhaps novel approach I will have is to deal with its impact on the environment.

First of all, dealing with myth one, that business and informed opinion are in fact opposed to the budget: I had been feeling the media coverage I was subjected to, and I am sure you were during the release of the budget, could have been scripted well before the release of the budget. It is as very predictable in that it quoted chairmen of banks, manufacturers' associations, chambers of commerce and so on as being of course opposed to the budget. We even got extensive third-hand coverage through Brian Mulroney of the views of Hong Kong taxi drivers on the budget. Those looking for more balanced and objective opinions had to

scour the inner pages of newspapers days after the budget was released to find more objective coverage of the budget.

One thing that caught my eye was a piece in the New York Times by Professor John Kenneth Galbraith, who most of us are familiar with as the pre-eminent Harvard economist. I am going to quote briefly from a piece that he wrote for the New York Times. Some people may be familiar with it, but I think it bears repeating. He says in part:

"It is truly remarkable to encounter an issue of major popular concern and discover that most everyone agrees on how to respond to it. That issue is the recession and what to do about it. The response by all levels of government is an array of measures designed to make it worse. With the notable exception of the province of Ontario, governments everywhere are tightening budgets, curtailing services, reducing payrolls, furloughing workers or promising to do so. Individuals immediately affected, needless to say, have their spending and resulting support to the economy promptly reduced.

"Many under threat of unemployment are impelled to retrench. So are those receiving welfare and other payments now being threatened with curtailment. It is in this regard that the Ontario government is leading the way. It has decided to cut taxes for people with low incomes, to provide more money for social assistance, affordable housing and capital projects, to offer loans for business hurt by the recession and to look seriously at creating its own pool of investment capital to help invigorate the provincial economy."

Others who have supported the budget are James Frank, the chief economist of the Conference Board of Canada, who called the budget "a confidence-builder that will help Canada emerge from the recession." I would cite also Mike McCracken, president of Informetrica, who called the budget "a move in the right direction." A move in the right direction might indeed characterize the general opinion of an interesting panel, the panel on national issues that the CBC puts on the Morningside program in which Dalton Camp, Eric Kierans and Stephen Lewis had a rare moment of agreement in that all three of those people from diverse political outlooks and economic views, I think it would be fair to say, summarized the budget as a move in the right direction.

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I would further cite myself as a local business person in support of this budget. As you no doubt know, it is small business that has been the engine of economic activity in the past decade and it is small business that will lead us out of this recession. It is small business that is hurting now, that is obviously in distress. A year ago I was looking for office space in the downtown area of Kingston and was distressed to see how much vacant space there was in shop fronts and so on in the Kingston area. This morning I had an opportunity to be walking in that same area and found that almost all the places I was looking at a year ago are still vacant and in fact many more have become vacant since that time.

It is no surprise, I am sure, that small business and certainly the retail sector, which reflect the sort of lack of spending power and so on, are in very real dire straits. The economy needs stimulation. That is obvious. When I look

around at my colleagues in the small business sphere that I am familiar with, everyone is complaining about low sales at low margins producing low profits and of course resulting in low taxes, low revenues being remitted to the government.

The question is, how much of this spending deficit is due to the recession and how much is uncontrolled spending by the government? The majority of the \$9.7-billion deficit is due to the recession. Lower revenues, the impact of federal government cutbacks in transfer payments and higher welfare costs account for about \$5 billion of this amount. Only a small portion, \$1.5 billion, of the deficit is for new programs or services put in place by this government, such as the social assistance reforms and the wage protection fund. The remaining \$3.2 billion is accounted for primarily by expenditures needed to maintain levels of service in existing programs, which of course begs the question of which programs we would then cut in our service sector and education and health care and so on. I do not think too many of us would be prepared to see a decrease in services in those regards.

So I welcome this budget. I have hopes that it will act to in part stimulate the economy and get us out of this unprecedented recession that we are in. I welcome the \$700-million anti-recession spending and the 18,000 jobs that will generate. I welcome the construction of 10,000 non-profit housing units and the 20,000 jobs that will hopefully create. I wish it could be more.

I welcome \$57 million in support payments to small and medium-sized manufacturers. I welcome \$40 million in farm income stabilization and \$50 million in interest relief for farmers. I welcome funding increases at greater than the rate of inflation for hospitals, school boards, colleges and municipalities. These measures will stimulate this moribund economy.

The last area I choose to deal with is the effect of the budget on the environment. This is an area which I think has been overlooked. Almost all economic decisions we make have impacts on the environment and we must come to terms with that sooner or later. Let's be clear that money spent on the environment is not an expenditure but rather an investment, not only an intangible investment in the future and the quality of life for our children, but in most cases a financial investment with very real financial returns. I would cite some examples of this.

The \$28 million which is committed to expand the blue box recycling and, I would say more important, the waste reduction campaign by the Ministry of the Environment will save us in landfill costs in the future; it will stimulate an indigenous recycling industry and it will reduce waste. Our society, our economy, our industry is one of the more wasteful in the western industrial world and anything that can be done to move it towards a more efficient and competitive position will aid the economy and those industries. The reduction of waste will move our businesses and industry towards a leaner, more efficient and economically competitive way to do business.

I welcome the Ministry of Energy's 75% increase in spending, bringing it up to \$10 million for new and expanded energy-efficiency initiatives. The initiatives will save consumers money by lowering the demand for energy

and will enhance our competitive position in a world moving increasingly to more energy-efficient homes, vehicles, machinery and industry.

Here is an analysis that I have not heard in the media coverage. It falls under the category of money not spent. A moratorium on the construction of new nuclear generating stations and the new commitment of Ontario Hydro to the most aggressive energy conservation program ever undertaken in North America will save the taxpayers of this province huge amounts of money in saved energy and avoided costs of constructing hugely expensive nuclear plants.

I have no doubts that, had the Liberals or Conservatives been elected in September of last year, we would be facing right now the construction of the twin to the Darlington nuclear station, part B, the additional four units to make eight units. What many of us have lost track of is the fact that the Darlington nuclear station started out with projected costs of \$2 billion, which is a huge sum of money. The station is still not completed, it is still not without problems, and the cost now is \$13.5 billion. These sums of money dwarf many of the cuts in social expenditures that more conservative people would have us undertake.

The fact is that we do not need these nuclear stations if we implement energy conservation programs. The fact is that there are still very real safety concerns. I would cite the example of the Nine Mile Point reactor. There was an accident right across the lake from us here just last week that reflects the concerns of many people about nuclear safety. The fact is that the first four reactors of the Darlington station are proving to be a huge economic white elephant.

This is something I would cite in this budget which is not necessarily an item in the budget but it is money not spent, which is just as important as money spent. Conservation is an investment, not an expenditure, so money spent by the Ministry of Energy on Ontario Hydro on energy conservation should be treated as an investment in the future with very real payback in both economic and environmental terms.

Another laudable feature of the budget is its fuel conservation initiatives. Fuel conservation will be encouraged by increasing provincial taxes on diesel fuel and gasoline. To reinforce the energy efficiency message, the current rate of gas guzzler tax on new vehicles will be doubled and two new rate thresholds added to capture more fuel-efficient vehicles. Further, in the area of public transit, to provide an alternative to the private car, \$48 million will be provided in 1991-92 for the Let's Move transit expansion program; \$11 million dollars of this funding will be used for environmental assessments to ensure sound environmental planning.

The more I learn about the environment and about the fate of the earth that we all face, the more I become convinced that the single most important thing that any of us can do to alleviate environmental degradation is the conservation of energy. Its impact on global warming, on pollutants in our local areas—

The Chair: Mr Gervan, I am sorry, I have got to go, you off.

Mr Gervan: I am just finishing here.

The Chair: I am sorry, but we have only 15 minutes. We have eight presenters, so if I run over about two or three minutes on each one—

Mr Gervan: I have three sentences left. I would have appreciated a warning of 30 seconds or something.

Mr B. Ward: Be quick.

Mr Gervan: Okay. Fine. From the standpoint of a small business person, I am hopeful that this budget will stimulate and kickstart the economy. From the standpoint of an environmentalist, I applaud its measures to move us towards energy efficiency and conservation. From the standpoint of a parent, I applaud the willingness of the government of Ontario to invest in the future.

The Chair: Okay. Thank you for your presentation.

ED AGARAND

The Chair: The next presenter is Ed Agarand. Welcome to the standing committee on finance and economic affairs. You have 15 minutes for your presentation.

Mr Agarand: Good afternoon. My main concerns today are, one, Ryandale House for the homeless and, two, the actual Ontario budget. First of all, I would like to discuss Ryandale House.

Ryandale House is a place for people who have no money. People who are destitute eventually end up in the downtown area. They eventually muster up enough courage to approach a church and ask for assistance. This means that it is mostly the downtown area churches that end up supporting homeless people.

Approximately five years ago, 21 area churches decided to form an organization where these people could be referred to. This organization would provide overnight lodgings and meals. Depending on the situation of the person, referrals would be made to other organizations that specialize in that person's situation.

Only 20% of these churches now support our organization in a financial manner. We therefore find ourselves approaching different community agencies and organizations for support. We have approached the provincial government for support, but since we do not currently provide long-term housing, we are not eligible for funding.

At Ryandale we receive approximately 600 clients per year. Although the intention is overnight accommodation, one of our clients stay two or three nights. In very extreme circumstances, our house manager has the authority to extend a stay up to 10 days. We are the only facility which takes in men or women and even families.

We have five single beds and a room reserved for families at our facility. We charge \$15 a night for people who are able to pay. Normally, approximately \$900 to \$1,000 per month is generated in this manner. We also receive \$40 monthly from local churches. It can therefore be assumed that in any given month Ryandale will generate approximately \$1,600.

The problem is that to function adequately it will cost \$40 per bed-night. Since we generate 150 bed-nights per month at approximately 85% to 90% capacity, we require

\$6,000 per month to operate adequately. We are therefore short \$4,400 monthly.

People who are no longer eligible for unemployment insurance benefits and who are passing through Kingston looking for work also stay at Ryandale.

I would suggest that the provincial government review our situation and seriously consider assisting our organization in a financial manner. That is presented by myself as the board chairman of Ryandale House.

The next situation I would like to address is the actual Ontario budget, reference page 90 of the 1991 Ontario Budget. While going over the actual budget here, I see that most of the money generated in Ontario comes from personal income tax. In looking at the amount of corporation income tax, as opposed to personal income tax, I see that in the 1989-90 tax year, personal income tax was almost 300% of corporate income tax. I find that a little bit hard to take. In the 1990-91 taxation year, the personal income tax is over 400% of the corporate income tax generated in Ontario. In 1991-92, the personal income tax is over 500% of that generated by the corporations in Ontario. I really find this hard to take.

In the Ontario budget the projection is that we are going to increase the personal income tax in Ontario by approximately 20%, from \$13.5 billion to almost \$16 billion. Problem: How are we going to generate that income tax if people do not have jobs?

I would like to tell you that I am unemployed right now. I cannot generate any income tax for this province. I was working at a government facility. I came here faithfully from Thunder Bay to a government facility. I am now unemployed. I cannot give this government any help to run this province because I do not have any money. I have no way to pay income tax to this province. You do not necessarily have to feel sorry for me. I would suggest that this government has to get me back working somehow so that I can sponsor this government to keep working itself, because one day, what are you going to do if you have no more money left? We are going to have to go somewhere and we cannot go to Ryandale. I know that.

Anyway, those are my concerns. While the personal income tax revenues are expected to increase by approximately 20%—that means that people like me, theoretically, who are working are going to increase their personal income tax in Ontario by 20%—for corporations, between 1989 and 1992, the corporate tax level will decrease by almost 30%.

I know these guys have more money than I do. I know they have more money than you people do and the people behind me. I honestly think that we should look at where we are generating our income from in this province. Thank you. If you have any questions I can answer, I will try.

Mr Villeneuve: Thank you for your presentation. You did not make the statement, but I think you insinuated that Ontario is the most heavily taxed jurisdiction in Canada and indeed in North America. I think tax freedom day in Ontario is August 2 this year, the latest of anyone.

You came here with a job with the government of Ontario. You no longer have a job. You have been speaking to people in businesses. What, in your opinion, is the reaction

to people who look at the very large deficit? Mr Laughren, by his own admission, is telling us that it will cost \$15 million of additional dollars because of our credit rating having gone down, just on what we already owe, and he is planning to double the total debt of the province by 1994. Could you just comment on those things, as someone who came here with a job and no longer has a job, and from your perspective?

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Mr Agarand: My perspective is—I cannot really give you one. All I can do is look at this budget, what I see here. For example, we are paying \$403 million out in UTDC loan guarantees. This is the company that I came here with. So this government today is getting stuck with \$403 million of something that a government initiated back in 1982 that is no longer here. Again, I am sorry that it is our government today that has to pay this off, but I cannot do anything about it. As for your question, I do not think I really answered it.

Ms M. Ward: Thank you for your presentation. I appreciate your comments about the tax system. I am sure you are aware of the Fair Tax Commission that has been established and that is studying the tax system in Ontario. Overall, I wonder if you have any comments on that. I think if we look at the tax system in Ontario and in Canada, it is an unfair system. If we had services such as you are providing—you are not receiving any funding, but if we look at social services as a whole, the municipalities are paying a share of those now and it is generating a lot of difficulty for some of the municipalities. If we had a taxation system where such services were funded through income taxes at a provincial and federal level rather than municipal, and all forms of income were taxable, meaning that you could not have all the tax breaks which higher-income people have access to—do you have any comments on the Fair Tax Commission?

Mr Agarand: Fair taxation I would like to comment on, in that there are ways to beat the income tax system. Poor me, I'm destitute. Let's say I am destitute. I owe Revenue Canada \$1,400, which I did last year, because I could not pay my 1990 income tax. I was unemployed that year too. So Revenue Canada is haunting me. "Mr Agarand, we want you to pay your income tax that you owe us." How am I going to do it? "I've got an idea. I'll rent out my house." So that is what I did. I rented out my house, and do you know what? I made money renting out my house and I put it in my right-hand pocket, and then I looked at my income tax and it said: "Mr Agarand, you can deduct this now, you can deduct this now and you can deduct this now. You can deduct the interest that you paid on your mortgage. That is applicable to the area of your house that you rented out."

So although I made, let's assume, \$5,000 and put it in my right-hand income tax, I was able to tell Revenue Canada, "Here, Mr Revenue Canada, I lost \$10,000, and therefore I now have a tax loss." But I put that \$5,000 in this pocket. I walked away with it, and I lost \$10,000 out of this pocket.

Ms M. Ward: On paper.

Mr Agarand: On paper. Now we know where the money is going. People are just taking it and running away with it. In 1986, I had an idea. I even went and started my own corporation, and it was a good idea at the time. It was too bad Via Rail is not running any more the way it used to or I would be making a lot of money. At that time, reading over how corporations operate, etc, and all the deductions that you can get, do you realize I would have been able to retire now, and I just turned 40?

The Chair: Your time is up, sir, and I appreciate your comments here today. Thank you.

KEN OHTAKE

The Chair: We have Mr Ken Ohtake. Welcome to the standing committee on finance and economic affairs. For your presentation on the budget review, you have 15 minutes.

Mr Ohtake: Thank you. I think we will have lots of time.

Good afternoon and welcome to Kingston. I am grateful for the opportunity that this committee provides for ordinary people to have their opinions heard on the subject of the government's budget.

My name is Ken Ohtake. I am a Canadian of Japanese origin whose family roots in Canada extend four generations. I grew up in the Regent Park-Cabbagetown area of Toronto and settled in Kingston 14 years ago. I have worked for 20 years with Ontarians who have been considered at the margins of our society and economy: people with physical disabilities, people with developmental handicaps, people who have needed the protection of human rights legislation. I am pleased to be currently employed by a social service organization providing support to people who are re-entering our community often following extended stays in psychiatric hospitals. However, while I know the remarks I am about to make are wide held, I speak for myself.

One of the most eminent social commentators of the past decade, Father Guido Sarducci, in an essay entitled *The Ninety Minute University*, observes that five years after graduation—I think it is five years; I may have the numbers wrong—from longer academic programs, physics graduates remember $E=mc^2$, historians remember that in 1492 Columbus sailed the ocean blue and English majors remember that it is "i" before "e" except after "c." He says nothing about political scientists, which may reflect what he thinks they recall. Regarding economists, Father Guido Sarducci states that they remember supply and demand.

From my four years of economics, I remember another homily: The solution to any economic problem is a political question.

I am overjoyed that the economic problems of this recession—I am not overjoyed with the problems—including unemployment, plant closures, loss of employment, increased need for social support are at long last being addressed by a government whose political answers take into account the basic reason for the existence of all of our society's economic and social institutions, which I believe to be to make things better. Those political beliefs include the notion that investment in the social and physical health of ordinary people blossoms upward throughout the economy.

opposed to the discredited notion that investment in healthy corporations will trickle down. I think it blossoms and I am glad we are now seeing policies that reflect that belief.

Many of the people whom I work with consider themselves survivors, survivors of a system of psychiatric care in which they believe cares more for the caring institution at the expense of intended recipients of care. Others are satisfied that they have been served well by the medical care system and can resume lives in our community.

Both groups remain concerned about the decency of our lives, decency which is hard to attain at less than \$600 per month on disability pension; decency which results from being able to contribute back into our society and have a sense that they are part of the society, and a society that accepts them; decency which is enhanced by economic optimism whereby people who are able to work can work and where others are embraced without condescension; decency which uplifts the society at large.

I receive with great enthusiasm and hope this budget, a budget which views a significant yet politically comparable deficit as both a social and economic investment. I am convinced that the payback will be a healthier society and a healthier economy for both our children and ourselves. I think the payback is not going to be that far off.

Mr Christopherson: I thank you very much for an excellent presentation. I think you provide a number of thought-provoking ideas. I particularly liked what you said about blossoming up as opposed to trickling down. I would say to you that your observations are very accurate in terms of what we are attempting to do with the budget and what we are attempting to achieve for the future of the province.

You talked a little bit towards the end of your presentation about payback and that we would have healthier people and a healthier economy. Again, we do see the money that we have spent and maintained in certain areas of the economy to be an investment, an investment in the people of this province, an investment in our future, quite frankly.

Could you give a little more detail, be a little more specific in terms of—I will put it to you this way—how could you argue to someone who said to you that money spent on the education system, on the health care system, is not an investment, that those are non-returnable monies? How would you argue that indeed it is an investment that will pay a return?

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Mr Ohtake: I think we are living in a world society, a global society. First of all, I would like to address the question in terms of investment in education. Increasingly, it is a knowledge-based society. Knowledge is not something that we can yet just plug into at night and have by morning. It is a longer-term process and it is a process which is going to require significant investment. We have to make it. I think that nations that have perhaps neglected that side have done so at their peril, with perhaps an imbalance of funds going to areas such as defence. I think of the situation the Soviet Union finds itself in now. Even with the liberalization and the freedoms it now has, it is going to take a long time to catch up in terms of providing the basic

needs for that society. I think we need to keep our vision on education and our children's needs as well as our own.

With regard to social services and health services, I think a healthy society is a healthy society and you cannot overinvest. I work in community mental health as opposed to institutional mental health. I think there is an edge that I would grind, in that perhaps money could be better spent. However, I think it cannot be simply pulled out and not reinvested. The notion, for example, that deinstitutionalization from psychiatric hospitals and other institutions was going to save us money is a fallacy because the money simply has to be reinvested in other forms of services.

Finally, in terms of one comment I would make with regard to disability pensions and the money that the people I am in daily contact with are receiving—and I guess it might be considered a bit of cheap shot—I do not know any of them who shop across the border. The money they get is spent on this side, in this community, for basic necessities. Hopefully, that kind of investment, that blossoming up is what is going to continue to keep our economy strong and strengthen it through these very difficult times and to a brighter time in the future.

The Chair: I have to cut you off.

Mr Sterling: I have a great concern for the people you represent and my concern is that if we spend 20% of our budget servicing debt, that means any future government only has 80% left to take care of or help people who need the care of the government. Now we are spending about 12% or 13% of our budget to service that debt. The federal government spends about 25% to 26% of what it spends to service its debt. They spend about 35% of what they collect. There is a difference, because they operate with a deficit as well.

My concern is that the Treasurer has brought in a budget which not only incurs a huge deficit this year but also a huge deficit in the next four years. What happens to the next government that comes in and says: "We want to take care and we have to take care of these people. We want to improve their lives"? If we do not have any fiscal responsibility or any attempt to reprioritize how we are spending, or there is no attempt to hold down the lid on the expenditure side, which is what has happened here, then how is any government going to take care of the people in the future?

Mr Ohtake: I return to the comment that the solution to any economic problem is a political question. The political question seems to me to hinge on one's belief. I believe that a deficit which is comparable to other jurisdictions and one which is, I suppose, wisely invested is going to make what is currently 12% or your feared 20% perhaps smaller by virtue of making the pie bigger. If we can have a more vigorous economy as a result of people feeling better, then surely part of being effective as a worker is how you feel about what you are doing. If you are feeling positively, I think—well, it may not be money in the bank, but I think it helps to make the pie bigger, and by making the pie bigger, the percentage that deficit or the debt service represents is going to be smaller.

The Chair: Thank you, Mr Ohtake, for your presentation.

KINGSTON WASTE NOT

The Chair: The next group is Kingston Waste Not, Mr Jim Martin. Welcome. You have 15 minutes for your presentation.

Mr Martin: Thank you very much. I own and operate a small company in Kingston, as you mentioned, Kingston Waste Not. It is a commercial services recycler. We largely recycle corrugated cardboard. It was for us a market created only when the city and the township council of Kingston earlier this year decided they were not going to allow corrugated to go to the landfill sites any more. Having not much to do and having watched another of my businesses fail at the beginning of the recession, I thought it was a good opportunity to start a business that might end off with a bang as the recession ended with a whimper.

However, I do not believe the recession has ended with a whimper. I also do not believe we are going to be out of the woods for a long while because we see that high unemployment is going to continue for many years, if the recovery following the recession of the early 1980s is any benchmark. For this reason, I believe the spring 1991 budget that was introduced by the Ontario government is a laudable step, a step in the right direction. I have always believed that if people pay their taxes all their lives there should be a reasonable expectation that those of us who are not well off or those of us who are not well taken care of should be taken care of to some extent. I think the budget shows a degree of conviction that is not readily apparent in other budgets tabled throughout provincial legislatures and in the federal Parliament this year.

If there is one beef or one disagreement I have with the provincial budget, it is the same disagreement I have with every budget I can remember seeing throughout my lifetime, and that is that there is always a quick reflex to tax fuel to a greater and greater extent. Since my business is dependent on the operation of vehicles, it becomes ever more expensive as taxes on fuel go up. So I would like, modestly, to suggest an alternative which is used in some states in the United States, and that is that when you buy your licence plate you buy a licence sticker that allows you to buy fuel at a rate that will be rebated at some point in the future or is rebated at the pump.

For those of us who operate vehicles, for those of us who are contributing to the economy of this province, we have no alternative but to drive our vehicles. If we are going to pay a higher licence tax at the beginning of the year and can look forward to a somewhat discounted fuel price through the rest of the year, then it may certainly help some marginal operators. Since I am sure that no one wants to antagonize the independent owner-operators association any more in this province, it might be an idea whose time can finally come to Ontario. If a licence sticker is granted to vehicles that are part of the operations of an Ontario registered corporation or partnership, then it should be able to see that this complies with article 1402 of the free trade agreement, if in fact you care about complying with the free trade agreement.

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I would like to spend the rest of my time here talking about something that was popular during the last recession has been popular with some of us for a long, long time, but does not seem to be getting much attention as we are supposed to be leaving this recession, that is, a comprehensive industrial policy.

Canada and the United States are alone in the world as the only notable industrial countries without a comprehensive industrial strategy. Even such a very conservative country as South Africa has an industrial strategy, which targets key players in the economy, key sectors. They discount the tax rates, they provide grants, they provide startup funding.

I think what would make me even happier than seeing the spring budget in 1991 is to see a spring budget in 1992 that addresses concerns for industrial policy. We have seen in Canada always experienced the benefits of a mixed economy: small and large corporations, domestic and foreign-owned corporations, as well as a mix of private and public enterprise in the economy.

Even a basic step such as setting tariff rates shows that the government has a place in the industrial economy and ought to continue that. By targeting certain emerging technologies, certain emerging industries, we may be able to replace the horrendous loss that we as a province have suffered as a result of the recession and the free trade agreement. I think many people are being less than honest when they look at the devastation of the industrial economy in Ontario and do not recognize that we are seeing essentially the decline and the destruction of our industrial economy; that we can no longer take for granted that we are going to have a high value added economy in 10 years or 20 years and so on. It is only by encouraging the government to be an active player in the economy through an industrial strategy that we can help to offset the devastation that has been caused over the past few years.

I think one of the keys to an industrial strategy is a comprehensive Ontario business development bank, somewhat along the lines of the Federal Business Development Bank but by no means hampered as that tool is. I think the Ontario business development bank should not only be a lender of last resort to Ontario-based businesses, but also ought to be able to provide knowhow, ought to be able to provide suggestions and, most important, ought to be able to pull together the many strands of economic assistance that are available in this province.

As a recycler, for instance, I can go to MITT or to the Ministry of the Environment, industrial waste diversion program, to seek funds if I believe I have a worthy project. I think there is far too much duplication there. I think there should be a comprehensive structure that will administer programs from all departments or pull together the programs so there are fewer programs that we need to conceal ourselves with.

Recognizing that small business is largely responsible for job creation in this country and has been for many, many years, I also think it is time that the government recognize that there have to be special policies for small business. A development bank addresses some of those concerns.

In conclusion, I have suggested a business development bank as part of a larger industrial strategy to help pay some of the devastating effects of job loss in this province. I think if we are to halt the deindustrialization of Ontario, we have to allow the government and encourage government to take an active role.

A recent study by some University of Maine economists has suggested that if the United States were to enter into the same kind of free trade agreement with Mexico which Canada did with the United States, they would suffer a million jobs lost in the first year, and those would be permanent job losses. We do not expect the Americans to come there and let a million jobs go down the drain, nor can we afford that. So I immodestly suggest an idea that has been around for a while, and maybe its time has come.

Mr Kwinter: I am curious regarding the last statement that you made. I would like to get your comment on the Mexico-Canada-US free trade agreement. At the present time, negotiations are taking place. We do not know what the outcome is going to be, but given the past history, there is a very strong reason to believe that the United States and Mexico will make a deal. What the terms of that deal will be I do not know, but everybody assumes they will make the deal.

As a small businessman, do you think it would be to our advantage to have the United States making an independent free trade deal with Mexico, and the United States giving the Canada-US free trade agreement, without Canada being a participant in both ways?

Mr Martin: I am going to answer that somewhat indirectly. I think that while the intention of a free trade agreement with the United States was to secure our market, we have seen that market become further harassed through the economic pressures of the recession. If there are any benefits to be realized through the FTA, the recession has just about taken them away and just about made sure that we are not going to get those benefits for a long, long time.

If we are going to sign a three-way agreement, I think we can break it down pretty easily into Canada supplying many of the raw materials, the United States supplying a large market and Mexico supplying a relatively cheap labour force. In my kind of business, I do not really have to worry about that too much, except that as companies continue to close in Kingston and area, I will lose clients, and I lose clients and I lose the ability to collect recyclable materials, then I lose my access to my market. I believe that any agreement with Mexico is devastating because of the low wage of labour.

Mr Villeneuve: Thank you very much, Mr Martin, for your presentation. You fear duplication, and yet you are suggesting a new lending agency comparable to FBDB. Have you looked at or investigated and inquired about the ODC, the Eastern Ontario Development Corp?

Mr Martin: I think that with all the programs that are available, with all the knowledge that is available through the government, there ought to be an umbrella organization. I can fill out grant applications and loan applications for the provincial government till I am blue in the face. I think that the easiest thing to do and something I suggest is

an Ontario business development bank with branches throughout the province, that not only is responsible for being a lender of last resort but also offers the expertise and can act as an agent in joint ventures. I think there are just too many programs and too many departments.

Mr Villeneuve: But are you not creating a duplicate to FBDB?

Mr Martin: No, I do not think so. The FBDB has largely gotten out of the lending business because its budget has been clamped down for many, many years. The types of controls on the money they have been lending have been relatively lax, so that they have made many questionable loans. Also, for small industrial ventures, their starting dollar amount is \$100,000. Many companies do not need that much. Many companies need more than they can get through the new ventures program or, if you are younger, through the youth ventures program. I think there ought to be a program that takes into account all of these different strands of participation.

Mr G. Wilson: Thanks a lot for your presentation. I commend you for your survivability in this recessionary period.

Having worked in two different areas here, you have pointed out the federal government's policies and the provincial. I was wondering whether you think there is enough co-ordination between the two jurisdictions. Somebody in your position, I would say, needs all the help he can get. Do you feel you are getting a co-ordinated effort there to give you the most help you can get?

Mr Martin: No. One of the things, in a larger sense, that disturbs me about federal-provincial relations, whether it is getting money from one or the other or whether it is getting assistance or knowledge from one or the other, is that there are too many people knocking up against each other.

To go along with the question about the FBDB, I think it would be wonderful if Ottawa would say, "Okay, you now have jurisdiction over the FBDB in your province." I think it would be a wonderful opportunity for the provinces to really shine if there was more co-ordination, if the feds would say, "Okay, this really isn't an area that we can afford to be in, in a wealthy province like Ontario."

The Chair: Thank you for your presentation.

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NATIONAL FARMERS UNION

The Chair: Mr Rick Munroe from the National Farmers Union. Welcome. You have 15 minutes for your presentation and question period at the end if you wish so.

Mr Munroe: Good afternoon. Before I get going on the budget itself, I probably should tell you a little bit about myself and the people I represent. My wife and I have a commercial sheep flock of about 140 ewes on Howe Island, which is one of the Thousand Islands just down the river from here. Our farm is not large—it is only 115 acres—but it is worth noting that it is a farm which had one of those "Century Farm" signs on it when we bought it 10 years ago. In other words, it was at one time, and for a considerable period of time, a viable farm operation. But my family and I would have starved to death long ago, I think,

if we had to rely solely on the income from that farm. Today I am like the majority of Canadian farmers—the great majority, by the way—I have another job. In my case it is teaching, and we use my income to subsidize the farm operation. My wife is home and farms full-time, as do three of her brothers and another sister.

My wife and I are members of the National Farmers Union, which, as some of you will know, is a national organization which represents the interests of family farmers exclusively. In other words, it is unconnected with other sectors of agribusiness, which we think is an important distinction. Within the NFU I serve as a director at both the local and the district levels.

I will begin by saying here today that we appreciate being asked for our opinion. We believe that democracy works best when the public is actively involved in it. Also, the NFU has a wide range of well-thought-out policies which we believe can help this government and this country, and we welcome the opportunity to share these ideas.

In terms of the budget itself, I am here today to speak in defence of the government's budget. We recognize that the budget is not perfect. We would have liked to see more financial support for farmers, of course, among other things, but the budget is a very reasonable compromise between the needs of the present situation, which for Ontario farmers borders on an emergency, and the need to be responsible as far as running a deficit is concerned.

Speaking of the deficit, which is clearly the chief complaint which has been levelled at this government, I get rather annoyed when I hear critics trying to portray this government as suddenly having landed us with a \$10-billion deficit, as if it was entirely its creation and was something it could have easily avoided. One would hope that critics of the budget would have at least been honest enough to concede that \$3 billion of the \$9.7 was inherited from the previous administration, so the NDP really has to answer for about \$6.5 billion of that. When we subtract the money which was used to cover federal contributions which Mulroney suddenly decided Ottawa would not pay any more, another \$1.6 billion, we are down to about an even \$5 billion, or about half the figure that we continually hear being tossed at Mr Laughren. Then there is another \$1.4 billion for various forms of social assistance which the government had very little control over because of legal or statutory obligations. There are explanations for the other \$3.5 billion, which I am sure you have heard hundreds of times already from people who understand things a lot better than I do.

I would like to move on to the flip side of the deficit coin, which has to do with taxation. In other words, you get a deficit if either you spend too much or you tax too little—or both, of course. I believe there is a bit of both in this present deficit.

Ontario has been in something of an economic emergency during the past year. We have all heard the stats about our unemployment rate being the highest since the Depression and how we have lost 170,000 manufacturing jobs, two thirds of them because of permanent plant closures. The point is, I guess, that emergencies warrant extraordinary measures, so we see this government putting

forward an increased effort to keep people working. For this the NDP deserves a pat on the back.

We would not have as much of a deficit if we could get a little more in the way of tax revenue from those who are most able to afford it. Canada is almost unique among western countries in that we do not have a minimum wealth tax. It is beyond Mr Laughren's abilities to impose one, I guess. But my point simply is that we ought not to cry too loudly about our deficits if we are unwilling to adopt measures which seem to be pretty widely accepted everywhere else in the world.

On this issue of fair taxation, we are pleased to see that the NDP has done a couple of things: first, to create a Fair Tax Commission, and we expect to see some progressive changes from that; and second, to make some reforms to our provincial tax laws to help out 120,000 low-income Ontarians, and at the same time demand a little more from people earning over \$84,000.

On the environment front, the government has killed two birds with one stone; that is, gaining revenue and hopefully reducing pollution by taxing both fuel and gas-guzzling vehicles. That is just fine with us.

In terms of infrastructure spending, we also want to give the government our support for the \$4.3 billion that it is spending on the province's infrastructure. You probably saw some of that money at work up on highway 401 as you came in. I have seen a couple of American TV documentaries on the precarious state of American bridges and overpasses. New York City's water supply hangs by a thread until 1998, when they can get a third water main in, and that kind of thing. I am glad to see that this government is a little more farsighted than that and is prepared to put people to work on things like roads and bridges and sewer and transit systems in a systematic, preventive sort of way. The general public should realize the folly of neglecting these things and be prepared to support these initiatives.

If we can look at the agriculture budget specifically for a moment, we are pleased to see that the total budget was increased. This was certainly in order. The food production system is the second-largest industry in this province, and it certainly has been under the gun for some time now. The new increases are entirely in two areas: \$50 million for interest rate relief, which we regard as an effective short-term response to the farm debt crisis; and second, \$40 million for the province's contribution to the gross revenue insurance plan, which we regard as ill conceived for a number of reasons, although it is better than nothing, which is what we were told we would get if we did not accept it. The only other good thing you can say about it is that farmers knew where they stood prior to the budget, so it gave them a chance to do a bit of planning prior to spring planting.

We would have liked to see more money for some of the more established Ministry of Agriculture and Food programs which are effective. One of the better ones, in our opinion, is the land stewardship program, which is now in its second phase. My brother-in-law is on the committee for Frontenac county and he told me that the entire three-year allocation of \$133,000 was gone in the first round. When you hear of farmers having to spend something like \$85,000 just for a manure-handling facility, the

u can see how \$133,000 for the whole county for three ars is not going to go very far. In other words, it would ly reach a small percentage of the farmers and help them th only a small percentage of these capital costs.

We would like to see more emphasis on on-farm research, particularly in the area of land stewardship and biological agriculture. In fact, we would like to see a major redirection of agriculture towards what is commonly called sustainable agriculture and towards the concept of food security. All of this has to do not just with the environment—people should know that agriculture is the nearest interface between human activity and the environment—but it also has to do a lot with farm income. We certainly will not have any sort of agriculture unless farmers can stay in business.

While we are on this point, I would like to say a few words about free trade. Food security has a lot to do with food self-sufficiency, and food self-sufficiency is not at all compatible with free trade and open borders. Free trade may be fine for something like children's toys or maybe tea towels, but it is not a very intelligent way of approaching a country's food supply. Every country leaves itself very vulnerable if it is not able to provide its citizens with essential food items. The next time we get a major blight or some fungal infestation or something like that someplace in the world, we will find out how fast, I think, this sort of new global free market system will grind to a halt and how important it is for each area to be able to more or less feed itself.

Here in Ontario we have about one third of the best farm land in all of Canada, when you take into consideration climate. We are going to lose our farmers and we are going to lose that land—a lot of it has already been paved over—unless we can ensure that farmers can make enough to stay in business. The point here is that the best any provincial government can probably do is just to apply Band-Aids until we can get some controls at the border.

The new model, this sort of global free market model, is wrong. Family farmers in Canada should not be out, or tending, to undercut small farmers in other areas of the world. I do not think we should take any particular pride in that. Canadians should not stand for cheap foreign produce, diverting our own food system. Niagara fruit growers, for example, should have to compete, but they should have to compete against others locally. They should not have to compete against the entire world.

So there we have it. We believe that this Ontario government has struck a reasonable and humane balance in the budget. We also believe that a good deal of our immediate problems are due to the recession and to the folly of free trade.

The best that we can hope for is that in the next two years people will wake up and rethink the entire concept of free trade, particularly when it comes to the food system. In the meantime, we thank this government for making the best out of a very bad situation. I thank you for allowing our voice to be heard here today.

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Mr Villeneuve: Thank you very much for your very good presentation. You mentioned \$50 million to agriculture,

and that is my area of concern, as it is yours: \$50 million to support interest and \$40 million to GRIP. Were you aware that the absolute and total increase in the budget for agriculture was \$21 million?

Mr Munroe: I thought it was \$70 million.

Mr Villeneuve: It is \$21 million.

Mr Munroe: I thought it had gone from \$535 million to \$602 million.

Mr Villeneuve: We have it right here, and it is \$21 million; 3.5%. You have to remember that in that 3.5% increase, civil servants who work at 801 Bay Street and other places got a 6.8% increase. How much do you think that leaves for the farmer out there earning a living?

Mr Munroe: If your question is, did agriculture get enough or is the agriculture budget sufficient, our answer certainly would be no. It is also our understanding that about a quarter—is that right?—of OMAF's budget goes to the farm tax rebate.

Mr Villeneuve: Some \$150 million.

Mr Munroe: Yes, out of \$500 million and some odd.

Mr Villeneuve: That is in there for a long time.

Mr Munroe: That is correct. To us, that is sort of a misleading arrangement. What you are really doing is taking from a budget that should properly belong to agriculture and using it to fund public education.

Mr Villeneuve: Really it is levelling the playing field on a tax basis for agriculture, but it is considered as support.

Mr Jamison: I notice that a certain portion of your presentation dealt with free trade, although you did not really mention GATT and the effects of the GATT negotiations on the potential wellbeing of agriculture in general. I wonder if you would like to expand on your views there.

Mr Munroe: I think this intention to move to reduce tariffs, to move to a global free market system, is just as wrongheaded in GATT as it is in the free trade agreement, if that is what you mean. I think the problem, as far as the food system is concerned, is not really just the specifics of this Canada-US free trade agreement. It has to do with the model itself. I think it is very easy, in the absence of things like fungal infections and in the absence of a shortage of oil and that sort of thing, to say, "Oh, yes, let's move in that direction and may the cheapest producer win out."

I think those who have thought about the system for some time recognize it is not that simple. It is not that simple at all. One serious fungal infection—we see what is happening this summer in PEI and how difficult it is to eradicate what began as a fairly small problem there. We will see how fast borders and ports shut down and how important it is for people to be able to feed themselves. If your question was, is GATT in the wrong direction, I would say yes, it is.

Mr Conway: One of the interesting aspects of cross-border shopping for me is that a lot of people I know along the front here in southeastern Ontario report that among the most popular items that Canadians going across into New York state are buying are dairy products. To me, it is quite surprising. What would explain that?

Mr Munroe: Probably the record bankruptcies of dairy farmers in upstate New York. I am just guessing. I have some friends in Syracuse. Other than that, I rarely go to the US. I certainly would purchase as little as possible on a trip like that. I sure do not do my dairy shopping in the United States, so I could not tell you about the price difference or an explanation for it. But I do know that the Americans are having record bankruptcies. Just last week four American dairy organizations had lobbied Congress—no, the group of them had put forward four different proposals to the House committee, all of which were rejected, asking for some sort of supply management system like we have here in Canada.

SHAHEEN HIRANI

The Chair: The next presenter is Ms Hirani. Welcome. You have 15 minutes for your presentation.

Ms Hirani: My name is Shaheen Hirani, and I am a student at Queen's University here in Kingston. I come before this committee as a representative of whom the members on this committee may have heard very little in their travels. I do not claim to represent all of youth, but I do believe that the concerns I wish to address today are prevalent among the overwhelming majority of youth. As a student of economics and politics, please allow me to present a general commentary on the budget first, and then outline specific impacts this budget has on youth.

There are several economic realities which must be realized. First and foremost of these is that Ontario is in the midst of a recession. Ontario has felt the current recession more severely than the rest of Canada. Job losses have been dramatic, and appear to be permanent due to a variety of factors, including the free trade agreement, as many people have pointed out today. Sixty-seven per cent of job losses in 1990 were due to closures and only 33% were due to reduced operations.

Not only free trade but a number of federal economic policies have led to a substantial impact on the Ontario economy. The 1991 federal government budget extended the expenditure control plan introduced in 1990. It capped federal transfers to Ontario to 5% and this hit Ontario much harder than it hit other provinces. It had the effect also of transferring some of these costs to the Ontario government. It increased pressure to provide services. The Ministry of Treasury and Economics has estimated that the new federal constraints will cost Ontario \$1.6 billion in 1991 and 1992. So even if this government had decided not to turn its back on the workers and help out those who are hurt most by this recession, there would be a deficit. That, I think, is a point to be taken.

When the media and the opposition parties have looked to the deficit, they have rarely examined what the spending has been targeted to. They also often condemn all spending altogether. I just want to point out some examples of this anti-recession spending, and some of the specific impacts on youth.

The initiatives included an employee wage protection fund of \$175 million to guarantee wages for workers whose employers go out of business. Another long-overdue measure that has been undertaken is assistance to municipalities,

school boards, hospitals, colleges and universities for per equity. Twenty million dollars in additional funding has been allotted for victims of sexual and domestic violence and for emergency shelters, and a 7% increase in social assistance benefits. I could go on and list a dozen more examples but I think the point is quite clear: the budget designed to help people during the difficult economic period. Deficit spending during a recession is a time-proven effective strategy, and I believe the government has taken the right strategy in targeting spending to those who need it most.

Moving on to specific impacts on youth, this budget has proven to be not only immediate in its help to youth but seems to have some long-term strategy for the development of this province in terms of job training and education.

Also, immediately effective measures will have a definite positive impact on youth in the long term. Starting November 1 1991, the minimum wage will be increased \$5.55 an hour. Now this is one thing that we really commend the government on because youth poverty is a huge problem affecting thousands of youth across the province. Also they will be eliminating the differential between the adult and the youth minimum wage by 1992 and we think this is a very positive step for working youth across the province.

Another initiative particularly important to me and other students in the Kingston area is the rent control legislation that restricts rent increases to a level that will not force me to drop out this year because now I can afford my rent. This is something that will affect many students across the province, so this is also a youth issue.

1500

Educational spending, which is the most important factor to affect youth, has also been bolstered. In addition the \$36 million committed to OSAP, a fundamental restructuring of the program has been promised. This will be dramatically felt by thousands of students across the province, especially during this hard summer where many youth have found it difficult to find jobs.

There is one area in which the government failed, I think, and that is in tuition increases, which were promised by the government to be frozen but were not. We are hoping this will change in the next budget, where tuition can be frozen and another barrier to education can be lifted. This is just a sampling of the good impacts this budget will have on young people. I hope I have been able to enlighten the committee members about some of the less publicized aspects of the budget and their effects on youth. That is all.

Mr G. Wilson: Thanks a lot for your presentation. I was thinking that part of the strategy of the federal government here is to open up Canada to competition. You are the beginning of your career and you are going to a university that is, I think, acknowledged to provide an education that puts you in good standing to compete with the best. What is your view though on, say, what the proper role of the government should be? Do you think that is what a government should be doing to clear the path for competition or should it be providing other things for people, students in particular, but more generally for the people at large?

Ms Hirani: I think what the government has been doing so far, putting more money and more resources into its development and job training programs and education, is a step forward. I do not think we will be able to give the economic climate of the 1990s without a definite investment in the youth of today and in what skills we will have to manage the economy of the future. In terms of competition, as much as the government can do to alleviate or help people to compete on a more level playing field, good.

Mr Cleary: Thanks for your presentation. You touched on a number of good things. I know you are a student and you are looking to the future. How did you feel about the cancellation of the interest-free loan for east- and south- Ontario, for businesses here, which has happened in the last six or seven months?

Ms Hirani: For businesses?

Mr Cleary: Yes, the interest-free loan. They used to be able to get an interest-free loan to start a business. How do you feel about this government cancelling that program?

Ms Hirani: I was not aware of that actual thing, but obviously it is a bad thing if they are cancelling things that will help out young people or businesses. Many governments have done things in the past that have hurt people. I do not think that was their intent, if that was what they did.

Mr Villeneuve: As a young person getting near the end of your studying—I guess we never do stop studying—as someone who is still in university, does it concern you, as one who is going to be paying taxes, that the total debt of this province will be literally doubled in the next four years?

Ms Hirani: Obviously debt is a problem, and I do not think that can be put down as something that should just be dismissed. But I also think that in a recession the government has an obligation to the citizens of this province to respond and to alleviate the difficulties that are faced by people. I am quite willing to pay my taxes and deal with whatever will come in the future, but I think the government is right in spending during a recession and I do not think deficits in their entirety are all bad.

Mr Villeneuve: In spite of the fact that Ontario is probably the most heavily taxed jurisdiction in North America?

Ms Hirani: In return for our taxes I think we get a lot of which we take for granted—our health care system, our educational system is one of the best—and I think people would be willing to pay taxes for the level of services they receive in this province.

Mr Villeneuve: Cross-border shopping is a major problem in the area I come from, and it is primarily stemming from very high taxes on fuel. There are many areas of concern but that is the catalyst that is bringing people over to the US to do some shopping, high taxes, and with the doubling of the total debt of the province, inevitably we will be paying even higher taxes. I would like a solution to this and it is not an easy one.

Ms Hirani: I do not propose to have all the answers. You mentioned fuel taxes and I do not think that is something that should be compromised at all. The taxes on fuel

are intended to promote a more energy-conscious environment and I think that is a good thing.

Mr Villeneuve: There are many ways we can be environmentally conscious, by the production of ethanol, which is a renewable resource which would be a renewable octane enhancer. I am a little disappointed that the National Farmers Union gentleman did not talk about it. As you said in your presentation, we must be competitive while attempting to preserve and not deteriorate our environment further, and that is quite a trick in itself. Thank you.

The Chair: Thank you for coming before this committee. This committee will recess until a quarter after three.

The committee recessed at 1506.

1519

KATHEE HUTCHEON

The Chair: The next person to make a presentation is Ms Hutcheon. Welcome to the committee. You have 15 minutes for your presentation.

Ms Hutcheon: I would like to thank the government of Ontario and members of this committee for providing this opportunity for me to share my views on the 1991 Ontario budget. I am here to speak in favour of that budget from a couple of different perspectives: first, as the owner of a small business in rural Ontario and second, as a fairly average citizen of Canada and Ontario. I operate a small variety store in a hamlet just north of Kingston. My clientele ranges from local people year-round to an infusion of tourists and summer residents from southern Ontario and from several states south of the border.

Had anyone asked two or three years ago, many small businesses in small-town Ontario could have told the government of the day that the warning signs of an economic slowdown were beginning to show. Fewer American dollars were appearing in my till, there were increased numbers of advertising flyers coming out to rural areas from the larger urban centres and orders to my salespeople were declining in size. Some of the reasons behind this downturn are obvious. We have all heard them: the frustration and confusion surrounding the Canada-United States free trade agreement and its failure to stimulate the Canadian economy except in very specific areas; constantly increasing interest rates; an overvalued Canadian dollar, and most definitely the goods and services tax. I hear about that on a daily and regular basis.

None of the political or economic rhetoric of the past few years has given me, a small business person, much reason to expect anything other than the recession in which we currently find ourselves, that is, until the 1990 election and the subsequent budget of April 1991. This budget, I believe, is based on a philosophy of economic fairness and the preservation of social programs that are an integral part of the Canadian way of life. It is a budget designed to do what I believe is the economic purpose of government, that is, to act countercyclically, to build up deficits in order to give economic support and stimulation when other sectors of society cannot or will not, and then to pay down the deficit as the economy improves.

How does this budget help my small business in a time of recession? Any initiative that puts money into the consumer's pocket or does not remove it through unfair taxation makes it possible for businesses to do better. Economic initiatives that do just that are evident in this budget. To cite a few: not piggybacking the retail sales tax on top of the GST, a policy that is leaving \$470 million in the consumers' pocket in this year alone; more favourable Ontario income tax for low-income Ontarians, again leaving money with the consumer; providing new funding for small and medium-sized manufacturing firms, thereby forestalling more bankruptcies and permanent plant closures; a clearly stated commitment to fighting the recession instead of the deficit, a move which indicated to many people in business that we had reason to be confident in the economic future in Ontario; infusion of money into the gross revenue insurance plan and the farm interest assistance program—a farming industry that is alive and well is a strong supporter of small businesses in small-town rural Ontario; increasing and improving on the affordable housing program—jobs are created in the construction industry, and a variety of businesses benefit from the subsequent spinoff effects of people buying homes.

The list does not stop here, but I believe the points I have mentioned clearly illustrate the reasons for my support of this budget as an owner of a small business.

I would like to continue my presentation by addressing the issue of maintaining our social support systems. It is clear that slow economic times not only erode government revenues but also increase demands on money from many of our social programs. This current recession, it has been noted, is the worst recession in Ontario in 50 years.

In Ottawa we have a federal government that has increased taxes and cut funding. In Ontario we have a government that is prepared to reverse those trends by giving people help and support now when it is needed, prepared to review and improve service delivery with an eye to the future needs of our society and prepared to invest in research and development, job retraining and manufacturing recovery.

The province of Ontario is noted for the high quality of its health care and educational systems. With the appropriate handling of expenditures and allocations of health care resources, we can maintain this high standard. People who need cancer operations, dialysis machines or open-heart surgery will still receive treatment because they need it, not because they can afford it. Several of my daily customers have undergone bypass surgery in the last two years. Without our principles of universality and accessibility, not one could have afforded that operation without serious financial burden.

Ontario spends about \$10 billion a year on education. To cut spending would reduce the number of positions available for students in colleges and universities, and at the current level of unemployment there would be few jobs available for those who were not able to attend post-secondary education.

Futurists are predicting that the current generation of young people will be changing jobs at least 10 times in their employment history. Training and retraining in an

educational institution or at the workplace must be appropriate and timely for those changes to be successful.

Social assistance has become a vital support to the ability and security of people who lose their jobs. More assistance, not less, is needed in times of high unemployment. More people, not fewer people, need food, shelter and job retraining.

Again, it should be obvious why this budget is receiving increasing support among average people and why his will prove it is the only sensible and defensible way to go.

The third aspect I would like to deal with is the fact of the deficit itself. Most of us are familiar with the components of the deficit: a reduction in government revenues caused by the recession; federal funding cutbacks in health care, education and social services, accumulated over the last few years to well over \$3 billion; new program and anti-recession program spending; maintenance of already existing programs, and the deficit inherited from the previous government.

From my perspective, the only acceptable place for budget reductions was in the area of new programs and anti-recession spending, but this would have a small effect on the overall picture and would not have provided the boost the province needs right now.

It all adds up to a somewhat frightening total, and it would be even more so if we saw no light at the end of the tunnel. But a budget is more than a statement of where we are; it is a document that must deal with the past, the present and the future. So let us look at the future as the budget sees it.

The money put into the educational system in training programs today ensures that our workforce will be better equipped to handle the challenges of tomorrow.

Dollars put into strong environmental programs deal with waste reduction and management, coupled with high priority given to energy efficiency and conservation, will help to provide us with a cleaner, healthier environment in which to live and work.

There is probably no system in the country or the province that needs an overhaul more than the taxation system. The setting up of a Fair Tax Commission to undergo a comprehensive review of taxation in Ontario has to be one of the most important decisions made by this government. It is essential that changes be made to the tax system so that people's attitude towards taxes can change. Do not expect us necessarily to welcome taxation, but if it is seen as fair and equitable we will accept it as a necessary part of our way of life. As it stands, many people are convinced that the taxation system is an unfair pile of gobbledegook designed by lawyers for lawyers and the people who employ them.

Another commission created by this government that will have an impact on the future is a three-person commission of inquiry to examine all aspects of land use planning and regulation. The agricultural paradise of the Golden Horseshoe has been virtually destroyed by residential, commercial and industrial development made possible by shortsighted people who focused too narrowly on immediate financial gain. This region had the best agricultural land in the country, bar none, and yet we see more and more imported food items on the shelves of our grocery

es. I sincerely hope that the members of this committee take their job seriously and recommend appropriate measures to preserve our farm land.

There are many other items in the budget to which I would offer support, such as initiatives to counter violence against women, stronger pay equity legislation and greater funding for the cultural industry in Ontario. But I think I've made the point that the Ontario budget presented in April 1991 is a fiscally and socially responsible plan for the future of our province.

Mr Kwinter: Ms Hutcheon, one of the things you said was that you support the budget and you feel that in times of need a deficit is fine and you would pay down the deficit when the economy improves and that you see light at the end of the tunnel.

I would like to get your response to these figures. In 1990-91 the government brought in a deficit of a little over \$1 billion. In the coming year, the year that we are in right now, they are anticipating that there will be less revenue than there was last year but they are going to be spending 4% more than they did last year. So there is a 13.4% increase in expenditure but the revenues are going to be less and that is why we have this \$9.7-billion deficit.

Next year they are projecting that revenue will go up 10% and they claim that their expenditures are only going to be up 6%. That happens for the next four years. Every year it will go up 10% in revenue and expenditures will be up 6%, which is at the rate of inflation.

One of the things we have heard from virtually every single social agency that has appeared before this committee is that they applaud the government for what it is doing, realizing that they need more money but, because times are tough, they are prepared to take what they are getting because they understand there is a recession.

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If you take a look at the projections of this budget, according to the government there will be no more expenditures because all that is happening is that the expenditures are going up by the rate of inflation. How are you going to tell people, when times are good: "Sorry, we can't give you any more money, because times are good. You're going to have to wait until times are bad, because when times are bad, we'll give you some extra money. But when times are good, we can't give it to you?"

Yet for every one of the next years until the end of 1995, there is a deficit. The smallest deficit is \$7.8 billion in 1995, which means there is no money to pay down any of the debt. So all of these people are praising Keynesian economics, saying, "We support it and everybody knows that's great, that when times are bad you spend the money and when times are good you pay it down," but there is no provision to do that. How do you respond to that?

Ms Hutcheon: I am not an economist and I do not know if I am supporting Keynesian economics or John Kenneth Galbraith economics or whatever, but I think there are a lot of people out there who believe, and I am one of them, that as times improve, the demands for those demands will also go down, and that could well have a positive effect on the deficit.

Mr Villeneuve: Cross-border shopping is a problem to everyone across Ontario. It quite obviously is affecting you as one operating just north of town here. What are the comments you get from Americans when you set out the price and then the taxes, or what are the general comments from the Americans as they come here? With this very drastic increase in the deficit we are going to have additional taxes; it is inevitable.

Ms Hutcheon: The most frequent and virtually the only comment I hear from my American customers concerning taxes is the GST. I have never, in this season particularly when we are all listening for negative and positive comments on a variety of issues, heard anyone reflect negatively against the retail sales tax, perhaps because we are all familiar with it. They are all used to it. I have a lot of return American customers, but it is constantly about the GST.

Mr Villeneuve: They are quite obviously not aware that the 13.5% manufacturers' tax was removed and replaced by 7%, but that is beside the point. You say, and this is my final question, that a farming industry that is alive and well is a strong supporter of small business in rural Ontario. Do you feel the agricultural business right now is buoyant?

Ms Hutcheon: I see that it has probably declined over the last two or three years since I have been in business, but in eastern Ontario it is not very vibrant and buoyant anyway. My real rural agricultural concerns are in southern Ontario, where I grew up.

Mr Villeneuve: But you are in deeper trouble than we are.

Ms Hutcheon: It is an agricultural and economic disaster as far as I am concerned.

Mr Villeneuve: But the comment here that everything is alive and well and supporting small business—

Ms Hutcheon: When they are alive and well.

Mr G. Wilson: Thanks a lot, Kathee, for your presentation. I found it quite wide-ranging and certainly thought-provoking. I like your comments about the Fair Tax Commission, that people are willing to pay taxes when they are seen to be fair. Just to pick up on what Mr Villeneuve is saying about the situation of farming and the protection of farming lands, you say they are wasted in the Golden Horseshoe area. I was wondering what our position then should be on future use of farming land. Are you hopeful about the future of protecting our farm lands? I am thinking about this area, southeastern Ontario.

Ms Hutcheon: In southeastern Ontario? I would hope there would be strong measures put forward to stop the rezoning of agricultural land into residential and commercial and industrial development. There are lots more appropriate places to live in the great Canadian Shield than in the Golden Horseshoe and in the Hay Bay region, etc. It is wonderful farm land down there. But where I am from we grow stones and farmers continue to farm that land, but because it does not produce the way one needs it to produce and have a good quality of life, they have to take outside jobs. There are very few good, top-quality, sole-income

farming operations as far north as I am from, which is not that far north of Kingston really.

The Chair: Thank you for your presentation.

CECILIA BROOKS

The Chair: Our next presenter is Ms Brooks. Welcome. You have 15 minutes for your presentation.

Ms Brooks: My name is Cecilia Brooks. I work at the library at Queen's University, but for the last four years I have been working with my co-workers, teaching them English as a second language and literacy. It is a program that was set up by the Ontario Federation of Labour and it is funded by the Ministry of Skills Development. Most recently, I have been working with the Ontario Federation of Labour to develop approaches and materials for literacy and second-language programs that will better meet the needs of workers in Ontario who are facing layoffs and closures.

Workers facing unemployment due to layoffs or closures react in much the same way as to any major loss. They face denial, anger and fear. They repeatedly experience rejection as they search for jobs and their self-esteem is shattered.

To make matters worse, the federal government has passed Bill C-21, which has increased the eligibility requirements and shortened duration periods. More and more workers are being told that they have been disentitled or disqualified. In the first 11 months of 1990, close to 500,000 people in Ontario were affected. Of those, about 75,000 were disqualified for incomplete documentation.

Although the federal UIC does have an appeal system, the procedure is complicated and confusing. There have been over 15,000 umpire decisions. If an unemployed person fails to successfully appeal or gives up in frustration, he or she then turns to the province or municipality for financial assistance. Locally in Kingston, our social planning council is now assisting 36% more people than last year. This has increased the dollar amount by 50%.

Bill C-21 has freed the federal government's financial responsibility for the unemployed of Ontario, but how has the province's new budget responded to the unemployed of Ontario?

We have \$215 million for social assistance reforms, which will allow people to earn 25% above their welfare before deductions, which will help people to get into the labour force and help overburdened municipalities; and \$32 million has been given to adult literacy programs. This money will help so many more people take control of their lives, and as a provider of literacy in my workplace, I can certainly tell you what the money will mean to those people.

There is \$32.5 million for new training and assistance programs for laid-off workers; \$50 million in tax cuts for low-income families, and I understand that this means that the number of low-income earners whose Ontario income tax would be eliminated or reduced will increase to 700,000 for the 1991 year; \$700 million for the anti-recession program to create 18,000 jobs, and most important, the budget will create or maintain approximately 70,000 jobs.

Other incentives that I would like to mention are the wage protection fund, \$175 million; the development of another 10,000 non-profit housing units; \$131 million for

business research and development, and \$57 million in loans and guarantees for small and medium businesses.

This recession has hit Ontario very hard. The number of unemployed in this province is now over 530,000. Since December 1988, we have lost 3,269 jobs in the Kingston area alone. Ontario's unemployment help centres are a lifeline for the unemployed. These centres provide program services and assistance to enable workers to access meaningful employment and/or retraining.

It is my belief that the province of Ontario must find a way to police the federal government's unemployment insurance system. We must address the criteria which were established by the Peterson Liberal government which do not allow these centres to assist unemployed workers with their appeals for UI. The province must act on the flow of unemployed from UIC to provincial assistance.

It is also extremely important for dislocated workers to be well informed of their rights under section 26 of the Unemployment Insurance Act, not only for the protection of their UI rights, but as a way of lengthening the period that they qualify for benefits while at the same time upgrading to meet the required qualifications for entry to a retraining course. Workers forced into this situation need assistance to find their way through the training bureaucracy, and these centres can provide that help.

The community industrial training committees are given huge amounts of federal funds as well as provincial funds to sponsor training initiatives and to promote skill occupations. However, this organization seems to have extremely high administrative costs, and it appears to me that the provincial funds are spent only on administration and not on training per se. This is extremely frustrating for people who are unemployed and want to upgrade their skills.

I would like to stress that the present problem is that there are not enough jobs available. It is not that our workers lack the skills to work. There are many workers in Ontario who are underemployed, working at jobs which demand very few skills and pay very low wages. It is also vital that we set up bridging programs to assist underemployed workers to access training programs, as well as literacy and English as a second language, so that we can all contribute to society in a more effective way. Having these services available to the community in the form of help centres helps keep workers, both employed and unemployed, together.

In closing, I would like to make the point that I support the provincial government's choice of putting the wellbeing of people before the deficit. I am not an economist, and although I have read much about the causes and effects of the deficit, I do not really understand it. But I do know that you cannot walk away from the members of our community when they are down and out, at a time when they need it the most. I think this budget is a major step in the right direction, and I would like to thank the government of Ontario for holding public hearings to allow people the opportunity to share our views.

1540

Mr G. Wilson: Thanks very much for your presentation. I find it is based on a lot of experience. I see you had worked

the adult literacy program. I guess that was the basic education for skills training program at the workplace.

Ms Brooks: That is right.

Mr G. Wilson: The thing that I want to centre on, though, is your section on the unemployment help centres. I guess the sense that I get is that these workers need more than a job posting on a wall, that there is some kind of support that they need over and above that.

Ms Brooks: That is right.

Mr G. Wilson: I just wonder if you could elaborate on that. I suppose it has partly to do with the morale problem of being either unemployed or underemployed. Anyway, I do not prejudge what you are going to say.

Ms Brooks: Do not take my speech, Gary.

Mr G. Wilson: Yes, right, go ahead.

Ms Brooks: The plight of the unemployed really is a very desperate one. The stigma that is attached to being unemployed leads a lot of people to stay at home and wait for the phone to ring: read the paper, write résumés, send them in and expect that a call is going to come. Rejection is in, self-esteem is shattered, they start spending less time with friends because they are embarrassed, ashamed, whatever, and do not have the money to go out and do the things that they used to do before.

The unemployment help centres, where they are running in the province, are a very good way to get people to come together for workshops, for job search clubs, as they help them, where they help one another. They strike up a friendship with other unemployed people and they help one another get jobs, they help one another upgrade their skills. We have cases where they go together in groups to community colleges because it is less frightening to go together in a group, but we have the unemployment help centre which brings them together and gives them a new sense of community that they lost when they lost a workplace.

Mr Kwinter: Ms Brooks, I was interested in your comment about the people who were underemployed and that there was a greater need for jobs. This morning we had a presenter who claimed that in fact it was just the opposite, that one of the problems we have is that we have not got enough skilled people around and that the literacy rates were 25% in Ontario. How do you reconcile the two points of view?

Ms Brooks: Literacy is very wide-ranging. There are many degrees of literacy or illiteracy. There are people—probably very few people in Ontario—who cannot read and write at all, but we have quite a number of people who are probably reading at about grade 9 level who still qualify for and need literacy programs to upgrade their skills, to build their self-esteem to get back into community college programs and so on, who have had jobs. Some of these workers went and found a job immediately out of school, were trained in that job and were skilled in how to do that job, but when they go out and apply for a new job when their plant closes, they find that they are not necessarily trained, nor do they have the skills to do the job in the new plant with the new technology and so on.

The Chair: Thank you for your presentation.

WILFRED DAY

The Chair: Mr Day, welcome. You have 15 minutes.

Mr Day: Thank you very much. My presentation will take eight or nine minutes and I will then be pleased to answer questions. I am speaking, as my brief notes, as an individual. I am a school trustee representing the town of Port Hope and the township of Hope on the Northumberland and Newcastle Board of Education, but I am not here officially on behalf of the board.

The main reason I am here is to tell you how furious I was when the Conservatives, criticizing the provincial budget, said that grants to municipalities and school boards should have been frozen. If the press and the public had fully understood that the Tories were calling for property tax increases of around 15%, they might have been less likely to climb on the bandwagon of looking at nothing but the size of the deficit.

To prove what I am saying, I will have to give you some figures about the Northumberland and Newcastle Board of Education, on which I have served for the past nine years.

I should tell you first that our board serves 22,000 students in the county of Northumberland and the town of Newcastle, which is part of Durham East riding. This makes us the largest board between Oshawa and Ottawa. Our 1991 budget was about \$132 million. We are a growth board. Right now we are building two new elementary schools and one major addition. About 28% of our elementary students are in portables, so we need to build a lot more. Our size allows us to be leaders in many ways. For example, the percentage of our secondary students in co-op placements is the highest of any board in Ontario. As our official slogan, we are proud to call ourselves "Leaders in Learning." Despite all this, our costs per student are several hundred dollars lower than the average county board in Ontario—about 6% below the average.

Under Ontario's 1991 budget, our board's operating grants are up 8.8%, including enrolment growth. Provincially, the budget put school board operating grants up 7.9%. If our board's operating grants had been frozen, we would have lost \$4,935,562. Our mill rate this year increased 6.98%. Losing those grants would have caused a further 8.92% increase, for a total mill rate increase of 15.9%.

Of course the public in Northumberland and Newcastle would never have bought that in the middle of a recession. We would have had to make more cuts. But because of the recession, we had already cut practically everything. The only major new initiative in our budget was an extra \$618,000 for building maintenance. If we had chopped that item right out in response to a grant freeze, our mill rate increase would still have been 14.78%. If we had chopped all other new initiatives, the mill rate increase would still have been 14.52%.

This is because our base budget, our uncontrollable costs, had a built-in increase of 7.16%: inflation, GST, UIC rate increase, pay equity and enrolment growth. Provincial grants made up about 46% of our budget last year, so if provincial grants had been frozen, you can see why local ratepayers would have been hit with a mill rate increase of over 14%.

Why are there so few cuts we could have made? Because we long ago made all the cuts we could. Our provincial funding has been dropping since 1974. Please look at the graph at the back of my brief. You will see that it has been dropping. Last year it was 46.1%; this year it is 47.6%. Before anyone gets too excited about the fact that our provincial share in 1991 is up, I should tell you that was due to capital grants for new schools. The ministry's share of the board's operating costs this year was 46.09%.

Over the past 17 years, as a result of declining funding, we cut everything we could find. We closed the last of our small, inefficient schools around seven years ago. We streamlined our administration. We did everything else possible, and then we started cutting building maintenance as a short-term expedient until provincial funding would, as all three parties promised, improve. We have been doing that for seven years and it has not improved yet.

Since 1984, our plant department reports that we have built a maintenance deficit of \$13.6 million. So last year we passed an eight-year plan to wipe this out, needing each year an annual increase in our maintenance budget of \$618,000. If we had cancelled this year's increase, not only would we have added to unemployment in the construction industry, but we would have been indulging in false economies. Even some of the more conservative trustees on our board who said they wanted to get our mill rate increase down to 5% still voted for this \$618,000 maintenance budget increase.

We could not have coped with a grant freeze by dipping into our reserves, because we did that already. To keep the mill rate down in this recession year, we budgeted for everything we could legitimately call a onetime cost, \$817,000 worth, to be paid out of reserves. I do not expect we will be able to do that again in 1992. And of course, the local share of everything we can legitimately call capital, even new portables, is debentured.

I have told you all this to show that a grant freeze would have left us no alternative to a mill rate increase of almost 15%, even though that would have been totally unacceptable to our ratepayers.

I am not the only school trustee in Ontario who gets really amused when the private sector and Conservative politicians tell us it is time we started to cut back, as they have had to do in recent years. They obviously have no idea that school boards all over Ontario have been living with cutbacks for 17 years. After all that time, we really tend to feel we are the experts in how to live with it and what it really means.

1550

From our narrow point of view, some of us probably thought the biggest news about the provincial budget was that the government had postponed bringing back succession duties and had therefore postponed moving towards a return to 60% provincial funding.

One of our board's top priorities in the next few years is women and technology. We already have very good numbers of female students choosing math and science options in their senior high school years, but our problem is technology. Our enrolment in old-style tech courses is still declining and we have had mixed results trying to get

more girls to take those courses. Over the next few years we are going to spend a lot of money introducing design and technology courses geared to the computer and appealing equally to male and female students. If grants had been frozen, we would have been trying to do all that at the same time as playing catch-up after a grant freeze. It is such an absurd proposition, I do not know whether to laugh or cry.

I get even more angry when people say we have to clamp down on welfare payments. Most welfare payments cannot be controlled. The easiest people to clamp down on, the most powerless, are the potential high school dropouts who have left home in conflict with their parents and are looking for student welfare. They are easy to cut from the welfare rolls—you tell them to go home or get a job. They get a deadend job, drop out of school and all we have to offer them is speeches by Brian Mulroney urging them to lower the dropout rate.

It really makes me sad to see suggestions of freezing education grants coming from the party of Bill Davis, a man who proved that it was indeed possible to raise the provincial share of education funding, when he raised it from 47% in 1969 to 60% in 1972. They should be thoroughly ashamed of themselves.

When you look at that graph and see that our provincial funding dropped from 57.6% in 1985 to 46.1% in 1990, I have to say I do not really see how the Liberals have any credibility on education finance either.

In conclusion, I say, thank God we had a Treasurer who did not use the recession as an excuse to take another kick at the school boards.

Becoming a school trustee was never one of my career objectives. Sometimes it is a pretty thankless job, constantly having to maintain some kind of balance between the needs of children in the classroom and the ability of the taxpayer to pay. Despite the fact that I have children in school, which is obviously why I ran, I have to keep their interests in balance. So does every other school trustee. But as the Supreme Court of Canada said in the *Meiorin* decision dealing with the question of what numbers are sufficient to warrant separate French language schools, I am paraphrasing, if the proper balance between financial and children's education is in doubt, the best interests of the children should be given the benefit of the doubt.

That is what I like about Ontario's 1991 budget: I am proud to say that it puts people first.

Mr Jamison: Thank you very much for your presentation, Mr Day. I understand what you are saying about education in general, about transfer payments to boards and to municipalities and so forth. I wonder if you could enlighten us as to basically what a freeze on those payments would have meant to class sizes and numbers of teachers. Would it have caused layoffs within the board itself?

Mr Day: The administration of our board did a calculation on what would have been necessary to hold the budget-to-budget increase to 5%. That is not the same as holding the mill rate. To hold the budget-to-budget increase to 5% we would have had to lay off 40 teachers, which is completely out of the question. What

uld have done to class sizes is unimaginable. What it uld have done to our collective agreements which con-lass size provisions is it would have violated them. It impossible to even contemplate. However, they did ce the calculation at the request of one of our trustees.

Mr Cleary: I just wondered. You said that our mill increase this year was 6.98%. How did that compare n the previous two or three years?

Mr Day: A little lower. We squeezed it as tight as we ld this year.

Mr Cleary: How much was it in the last two or three rs?

Mr Day: I do not have the figures with me at the ment.

Mr Cleary: Was it in double digits?

Mr Day: I think the 1989 budget was probably a double it, yes.

Mr Villeneuve: I see you have taken a few strips off my ty. That is quite all right. We are fair game. Would you sider your board to be one of the have or have-not rds? It is rapidly expanding. We seem to have two breeds oards: those that do very well, thank you very much, l those in rural parts of Ontario that struggle at best, and ill always be a struggle. Where do you sit on that scale?

Mr Day: We are definitely one of the assessment-poor rds. We are around about the 75th percentile in that egory. We are right in the middle of the bottom half of assessment-poor boards, which is because we have rely little commercial and industrial assessment. Our wth tends to be the bedroom variety of growth.

Mr Villeneuve: But rapidly expanding growth, ough, in the residential area.

Mr Day: We start at the eastern boundary of Oshawa. e whole area, Courtice, Bowmanville and so on, is owing like mad as a commuter community. There is no mmercial and industrial out of that, though.

Mr Villeneuve: Having sat on the select committee on ucation a few years ago, I was always intrigued by the her novel ways that some of the have boards have of ending money. Then of course it comes to us who say, ell, we cannot be discriminated against and therefore we ve to provide some of the services the downtown To- to boards have," and we wind up in very difficult situa- ns. Your particular case would probably be an example that because you are one of the have-not boards and yet u are within pretty easy earshot of some of the big down- wn Toronto boards that have money to burn, literally.

Mr Day: Quite so.

Mr Villeneuve: That makes your position even more ficult possibly than some of the other assessment-poor ards.

Mr Day: It makes it difficult in two ways. First of all, e are trying to provide as good a service as they do in ronto with about 75% as much money per student. Sec- d, we run into voters who know about school boards ly what they read in the Toronto Sun. They assume I am

earning \$50,000 a year as a school trustee rather than \$8,000 and they assume we have money to burn.

The Chair: Thank you for your presentation.
1600

KINGSTON AND DISTRICT LABOUR COUNCIL

The Chair: The last group to appear is the Kingston and District Labour Council. You have one half-hour for your presentation.

Mr McPhail: Essentially, I do not think I will be using the half-hour, so we will let everybody out early.

Mr Villeneuve: No overtime, shucks.

Mr McPhail: Yes, right.

The main thrust of the arguments presented by the labour council is fairly normal across the province in a lot of respects. Essentially, they are based around the aspects of the budget proposals being fairly evenhanded in a lot of different areas, whether it is health care, education, social-service-based organizations or whether it is in the neighbourhood of local municipalities receiving the ongoing type of transfer payments or the onetime type payments that are being received through the anti-recessionary program. That also extends into the education field and other types of institutions within the province.

You might ask, in a sense, why is it an element of interest to the labour groups in that they are normally out for contractual obligations? We have developed this social service network throughout the province that is really second to very few in the world. In a lot of respects, the people who are out there who work every day have relied on that and have been part of it and want and will maintain, in terms of paying taxes, that type of health care system.

The real point of the argument in a lot of things is that when you take away those types of moneys, if it was that type of situation, we would end up with considerable economic deficits in the Kingston area that we would have to consider. Being not necessarily a unique community, we have representations from large, different areas in here. We are a large centre for health care, education being represented through the colleges and obviously the public and secondary school boards and the university itself, which contribute largely to the economy of the community.

Again, obviously, and not to leave out the other aspect, because it is a very large group, you would have to talk about the business community itself, whether it is Alcan or the different Millhaven transit groups or things of that nature.

The only difference between them is that the provincial government budget itself—we are not talking necessarily about free trade or anything else, but relating to the provincial budget—does not necessary address the concerns of industry. A lot of the cases or arguments that are being used today are outside that budget, so I have tended to step away from that to a certain extent.

The other area we all recognize is the social service agencies. Particularly, we have to find that the provincial government, in two aspects, has come across reasonably well. We all recognize that through the provinces of the country there have been a lot of cutbacks in terms of the provincial governments that provide the services, whether

it is employment or not. We do not see that within the Ontario government, which is quite unique and is also very pleasing to the labour community obviously.

The other thing is the need for social services. I am involved presently with the United Way of Kingston and also involved in other aspects, employee assistance programs and that in the workplace, and coming out of an education area such as the university where we keep getting this great feedback from people saying: "Look, you're the educated people of the world. You're part of a large organization that has lots of education. Why are you concerned about the employee assistance program? There are no problems in those places."

Dealing with average individuals and the concerns they have on a day-to-day basis, I find it very interesting if they repudiate that type of situation, because there is a need. The average person out there, whether he has a PhD or a grade 12 education, working within that structure has the same concerns and the same problems. It is maybe only elevated whether you have dollars or not. I always say that is more of a whimsical type of comment than anything.

The root point is that I think what we come down to in the long run is that the budget delivered basic across-the-board maintenance and that, at the minimum in this time of recession, is important. We cannot as a community, and that is largely what we are, whether it is province-wide or local, turn our backs on people. This is where I draw an interesting analogy. It is not to slight business in a respect. We have a considerable argument out there that we must reduce the budget for the sake of reducing it. I will use the analogy that when in business, the economic factors are there. Whether or not you are losing money and you decide to make economic decisions, they are usually based on the aspect that you know you are there to create a profit for the corporation itself or maintain a certain level of profitability.

Whether or not you can do that is usually a relatively easy decision, but when you come into the aspects of government and the aspects of the social community, you cannot treat the organization, whether it is government or local groups, as a business. They are an individual person or an individual group of people and it has to be recognized that they are not labelled with dollars and cents on them or they are not labelled with numbers on their heads. I think that is very important. As a person or as a member of the labour movement, that is where I find it can support a budget of this nature.

To step aside from those four main areas, the other thing I see—to get away from the more global arguments of labour itself in dealing with the pay equity question or whatever, which really the labour movement in Kingston supports—is that there is another real problem this budget helps address in this area in particular, although it is going to become a greater problem over time and maybe will require more assistance, and that is what I will call the Toronto syndrome.

Coming from that area, we have all recognized in the last 20 years that the city has grown in great leaps and bounds, Toronto, that is, and the economic and growth effect it had in the rural communities around the area. Since coming to Kingston in the last 10 years, I am starting to

see that essentially Kingston has a very wide-ranging community for employment, not necessarily social agencies whatever, but people come to Kingston for employment. Ever greater numbers from Belleville on the west side, the 401 to Brockville at the other end and as far as West to the north. You draw a nice arch there. You can see a large area where there are a lot of local municipalities; this is where my argument comes in, the aspect of one-time transfer payments, if you want to call them that, to municipalities and the onetime annual inflationary program.

We have a large number of people in there who essentially are in small municipalities. They are in the order of 5,000 or 6,000 people who essentially rely on the Kingston area as an economic benefit and provide the economic infusion, whether it is through taxes or through providing buying power to local businesses in those regions. That is where you can start seeing and then tying together the whole aspect of how the budget for this region has provided a fairly balanced economic condition. It is as likely more by a fluke, but in a global sense it has recognized and provided a certain element of stability here by providing the maintaining of the health care education and social services and things of that nature, the only things in the region that really have changed substantially. Whether it has gone from larger to more moderate-sized businesses is arguable. But essentially, in terms of large businesses in the area, we have seen a distinct decrease in the number of people who are employed. We have gone to a greater number of moderate businesses or smaller, and whether we have filled a gap I have no figures to prove or disprove.

This brings you back to the whole argument of local municipalities. If you are going to provide a quality of service which is generally what the labour movement in a rural area about way is trying to get at, if we get into one of the local municipalities, as always the society today is demanding an ever-increasing number of services. This relates to the aspects of the planning that were talked about earlier and things of that nature. The local municipality has a designated amount of cash on hand or the ability to raise taxes through whatever way. What we are seeing in the area and what I suspect will heavily increase is the inability of these municipalities to provide these services. It is based on the aspect of planning in a lot of respects, but in other aspects too.

Of course we have to provide the increased elements of education in our public schools and our high schools, but when you get into the rural areas of the north, you always run into the inevitable problem of how far to draw them. Once you draw them in from great distances and you have large numbers, how do the actual schools themselves affect the community through the aspects of pollution or whatever, in terms of their septic beds and stuff of that nature? It provides a very mixed and problematic situation for an average individual to live in.

1610

To cut it short, once you have developed these problems whether it is through the school problems or whether it is through having a rural road with one-acre lots strung down the side where everybody is living more or less in a piecemeal division and the municipality cannot provide the service

use obviously it does not have the tax base, whether service is lighting or garbage collection or, in the future, could be the demand through such instances as the transport instance where a large number of people lost the ability to obtain water through that type of thing—could occur in the rural areas through pollution or the quarry—once you get to that point you have real problems and there is no way those municipalities can provide those services.

I will always use this line: Coming out of the area north of Toronto, as I said, I remember getting a phone call one evening for my father. He happened to be a mayor of that area. A lady gets on the phone, or a person—I will not identify the gender—and says, “I have a problem with my sewers.” I say, “Where do you live?” The person says, “I am in concession road such-and-such, lot whatever.” I say, “Oh, sorry, but there are no sewers out there,” and the person says, “I bought out here and it is in this municipality and I am sure I have sewers.”

It is an exaggeration, but you can see the type of problems we are running into in this area. To make a long and short of that type of thing, I see economic infusions such as the \$100 million to provide jobs, first of all, because the labour movement is there, but second, to provide those essential services that provide an element of quality of life for people who are living in the region. I would just like to conclude more or less on that note and show our support in general for the budget. I am sure you have heard everyone in this world who had always wanted or expected more, this time I am not so certain it is there. I would just like to end on that point. Thank you.

Mr G. Wilson: Thanks for your presentation. Coming out of the labour council, I think it shows that the labour councils are interested in more than just the jobs in the area at the wage levels, but also the quality of life the working people in this area experience and what is needed to ensure the people here have a good standard of living.

I would like to follow up on your last comment about the uncertainty of the future. I took it to mean the basis that we have come to expect, the manufacturing sector in this area—I know it is eroding to some extent. What do you think is the future here about that? Did we establish if that is possible, or do we need something that I think a couple of other presenters touched on, the information sector or some kind of clearinghouse like an unemployment help centre, to make sure the workers are moving from the manufacturing sector, which has been strong in this area but is slipping, to other areas in the economic sphere?

Mr McPhail: Essentially, in respect of the business aspect slipping, the whole question bases it around the local municipalities and how they have handled themselves and the labour movement to a certain extent, but the real point is that Kingston is always seen as Kingston. I think what you have to get across is that there is much more than the city of Kingston in this area. There are greater services around here than in the old city of Kingston. It extends along the 401 quite nicely. Argumentatively, to my perspective, it should start extending north because we are getting this great, big, long stretch.

That is the real crux of it. There are a large number of industries that have come into this general area—Belleville to the east, because of the low cost of land—but when you get to that point and you have a large infusion of businesses or government agencies, you come back to the fact that you have to find a place to put the people. That is the real dilemma in this area at the moment. You have to get that planning.

The Chair: Thank you for your presentation. Before closing here, I thank the constituents of Kingston and The Islands area for their presentations before this committee. It has been very helpful.

This committee now will recess until 9 am tomorrow in Cornwall. We are adjourned. It is a long recess.

The committee adjourned at 1616.

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